DOCUMENT RESUME

ED 287 993 CE 048 761

TITLE	New Business Perspectives on the Older Worker. Hearing before the Select Committee on Aging, House of Representatives, Ninety-Seventh Congress, First Session.
INSTITUTION	Congress of the U.S., Washington, D.C. House Select Committee on Aging.
REPORT NO	House-Comm-Pub-97-328
PUB DATE	28 Oct 81
NOTE	100p.
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Viewpoints (120)
EDRS PRICE	MF01/PC04 Plus Postage.
DESCRIPTORS	Adult Education; *Aging (Individuals); *Business; *Employment Practices; Hearings; *Older Adults; *Personnel Policy; *Retirement
IDENTIFIERS	Congress 97th; Older Workers

ABSTRACT

This document contains testimony from a congressional hearing to explore the latest developments in corporate policies affecting older workers. Testimony includes statements and prepared statements from individuals representing United States corporations, such as Mutual of Omaha Companies; The Aerospace Corporation; ACS America, Inc.; Grumman Corporation; McDonald's Corporation; Ward Howell International, Inc.; and Wm. Wrigley Jr. Company. Other witnesses represent the Institute for Policy and Program Development, Andrus Gerontology Center, University of Southern California; Bureau of Business Research, University of Nebraska; and National Farmers Union. (YLB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

CE

NEW BUSINESS PERSPECTIVES ON THE OLDER WORKER

ED287993

HEARING

BEFORE THE

SELECT COMMITTEE ON AGING
HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

OCTOBER 28, 1981

Printed for the use of the Select Committee on Aging

Comm. Pub. No. 97-328

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☒ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy

U.S. GOVERNMENT PRINTING OFFICE
91-618 O WASHINGTON : 1982

CE848761

BEST COPY AVAILABLE

SELECT COMMITTEE ON AGING

CLAUDE PEPPER, Florida, *Chairman*

EDWARD R. ROYBAL, California
MARIO BIAGGI, New York
IKE ANDREWS, North Carolina
JOHN L. BURTON, California
DON BONKER, Washington
THOMAS J. DOWNEY, New York
JAMES J. FLORIO, New Jersey
HAROLD E. FORD, Tennessee
WILLIAM J. HUGHES, New Jersey
MARILYN LLOYD BOUQUARD, Tennessee
JIM SANTINI, Nevada
DAVID W. EVANS, Indiana
STANLEY N. LUNDINE, New York
MARY ROSE OAKAR, Ohio
THOMAS A. LUKEN, Ohio
GERALDINE A. FERRARO, New York
BEVERLY B. BYRON, Maryland
WILLIAM R. RATCHFORD, Connecticut
DAN MICA, Florida
HENRY A. WAXMAN, California
MIKE SYNAR, Oklahoma
EUGENE V. ATKINSON, Pennsylvania
BUTLER DERRICK, South Carolina
BRUCE F. VENTO, Minnesota
BARNEY FRANK, Massachusetts
TOM LANTOS, California
BOB SHAMANSKY, Ohio
RON WYDEN, Oregon
DONALD JOSEPH ALBOSTA, Michigan
GEO. W. CROCKETT, JR., Michigan
WILLIAM HILL BONER, Tennessee

MATTHEW J. RINALDO, New Jersey,
Ranking Minority Member
WILLIAM C. WAMPLER, Virginia
JOHN PAUL HAMMERSCHMIDT, Arkansas
MARC L. MARKS, Pennsylvania
RALPH REGULA, Ohio
ROBERT K. DORNAN, California
HAROLD C. HOLLENBECK, New Jersey
NORMAN D. SHUMWAY, California
OLYMPIA J. SNOWE, Maine
DAN LUNGREN, California
MILLICENT FENWICK, New Jersey
JAMES M. JEFFORDS, Vermont
THOMAS J. TAUKE, Iowa
THOMAS E. PETRI, Wisconsin
JUDD GREGG, New Hampshire
DAN COATS, Indiana
GEORGE C. WORTLEY, New York
HAL DAUB, Nebraska
LARRY E. CRAIG, Idaho
PAT ROBERTS, Kansas
BILL HENDON, North Carolina
GREGORY W. CARMAN, New York
COOPER EVANS, Iowa

CHARLES H. EDWARDS III, *Chief of Staff*
YOSEF J. RIEMER, *Deputy Chief of Staff*
VAL J. HALAMANDARIS, *Senior Counsel*
JAMES A. BRENNAN, *Assistant to the Chairman*
WALTER A. GUNTHARP, Ph. D., *Minority Staff Director*

BEST COPY AVAILABLE

CONTENTS

Members' Opening Statements

	Page
Chairman Claude Pepper	1
Hal Daub	3
Mario Biaggi	4
Larry E. Craig	5
Edward R. Roybal	6
Millicent Fenwick	7
George W. Crockett, Jr	7
Matthew J. Rinaldo	7
John Paul Hammerschmidt	8
Marc L. Marks	9
Harold C. Hollenbeck	9

Chronological List of Witnesses

V. J. Skutt, chairman of the boards and chief executive officer, Mutual of Omaha Cos	11
Eberhardt Rechtin, president and chief executive officer, The Aerospace Corp	27
Eric Knudson, chairman, ACS America, Inc., New York, N.Y	41
Robert W. Bradshaw, secretary and director of personnel, Grumman Corp., Bethpage, N.Y	49
Robert M. Beavers, senior vice president, McDonald's Corp	56
Max M. Ulrich, president, Ward Howell International, Inc	67
Jon Pynoos, director, Institute for Policy and Program Development, Andrus Gerontology Center, University of Southern California	70
Donald E. Pursell, Ph. D., director, Bureau of Business Research, University of Nebraska, Lincoln	77

Appendix

Additional material received for the record:	
Edgar W. Swanson, Jr., vice president-personnel, Wm. Wrigley Jr., Co., Chicago, Ill., prepared statement	87
Ruth E. Kobell, legislative assistant, National Farmers Union, Washington, D.C., prepared statement	89

NEW BUSINESS PERSPECTIVES ON THE OLDER WORKER

THURSDAY, OCTOBER 28, 1981

U.S. HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 2325 of the Rayburn House Office Building, the Honorable Claude Pepper (chairman of the committee), presiding.

Members present: Representatives Pepper of Florida, Roybal of California, Biaggi of New York, Derrick of South Carolina, Vento of Minnesota, Shamansky of Ohio, Crockett of Michigan, Boner of Tennessee, Rinaldo of New Jersey, Dornan of California, Fenwick of New Jersey, Petri of Wisconsin, Daub of Nebraska, Craig of Idaho, Hendon of North Carolina, and Carman of New York.

Also present: Representative Clausen of California.

Staff present: Charles H. Edwards III, chief of staff; Stephen McConnell, professional staff member; Marie Brown, executive secretary; Mary Anderson, secretary; and Walter Guntharp, minority staff director.

OPENING STATEMENT OF CHAIRMAN CLAUDE PEPPER

The CHAIRMAN. The committee will come to order, please.

The age of the older worker has arrived. Older Americans—some as old as 80—are being trained right now on the most sophisticated technological equipment to be computer programers; retired engineers are being rehired to help build jet aircraft and design robots; fast-food chains, grocery and clothing stores, life insurance, and oil companies are redirecting their corporate policies to encourage their veteran workers to stay on the job rather than retire. These are signs that experience counts in American business. In fact, I have often said the greatest unused resource in America today is the knowledge and experience of the retired older workers of this Nation.

I said to two of my dear friends who are here today as our distinguished witnesses that life is like riding a bicycle, you don't fall off unless you stop peddling. We are fortunate that American industry and enterprise are recognizing the worth of our older workers.

Older Americans have been knocking on the doors of America's industries for decades, but until recently these doors have been locked tight. For many years it was considered good business practice to maintain a "youthful and vigorous" work force: Retirement policies encouraged early dismissals; hiring was directed only

toward the young entry-level worker, and the older worker was considered "over-the-hill"—even sometimes as early as age 45.

Recently, the doors have started to open. Labor shortages are forcing employers to turn to older workers and retirees in order to maintain economic growth. As we will learn in more detail today, the labor shortage problem will only grow worse in years to come. The high technology explosion alone is creating a need for many more engineers than can be supplied by our colleges and universities. Similar shortages are also beginning to appear among other occupations, thus making it imperative that older workers be retained and that retirees be rehired if American industry is to remain competitive in the world market.

Just as the labor shortages are redirecting attention to the older worker, profound changes in the makeup of the older population are increasing its availability and capacity for work. The elderly are healthier and better educated than any older generation in history. They have adjusted to a fantastic breadth of experiences in their lifetimes, giving them a wider and better developed perspective on current business practices.

Speaking about the experience of the older members of this generation, since we have today so many celebrated witnesses here, with one in particular identified with the field of aviation, I have on my office wall a photograph of the first flight by Orville Wright of the Kitty Hawk, autographed to me from him. He came in about 1939 and asked me to get a little bill through for him, as he called it, to make National Aviation Day on his birthday, August 19, and I was able to get the bill through, the President signed it and issued the proclamation. A couple of days later Mr. Wright came back with an envelope in his arms. He came in to me and said, "I want to show you some appreciation for getting the bill through for me." He handed me this photograph of him flying the plane and his brother, Wilbur, running out in the arm of the wing.

That was in my lifetime, 1903. Now, two pictures above that, I have another photograph of the astronauts walking on the moon.

In my lifetime, man's ability to get off the ground has proceeded from a few feet in a few seconds to going to the moon and back many times.

So, you can see nearly all the things that really are the symbols of modern life have either come into being, like television and the like, or else they have come into use in this century. That is due to people who are, as I am, 81 years old today. So, this generation who is up in that category has had a little bit of interesting and meaningful experience.

Perhaps this is the reason that among the Fortune 100 companies—the largest and most successful business enterprises in this country—the average age of chief executive officers is nearly 60 years, according to a staff study. Experience counts, and in times of economic uncertainty, the experience of age is vital.

The 1978 amendments to the Age Discrimination in Employment Act helped to open the doors for older workers, but real progress toward nondiscrimination in the workplace will depend heavily on the voluntary efforts of American business. There are encouraging signs on the horizon. A recent poll reported in the Wall Street Journal showed that 84 percent of business personnel directors felt

that older workers are as productive as younger workers. This represents an encouraging shift in attitudes that can only bode well for all older Americans who are now working or seeking work.

It is a sad thing. I know a man 60 years old who was a pilot for one of the major airline companies. He was caught by the age 60 rule. It is tragic to me to see that man seeking a job with his vitality, mental and physically, unimpaired, keenly alert to all things, and yet because he is 60 years old it is difficult for him to find employment. That man has knowledge and skill which in some manner ought to be productive in our country.

The hearing today will explore the latest developments in corporate policies affecting older workers. Our distinguished panel of executive witnesses represent some of the most prominent corporations in the Nation. And among our witnesses today are some of the most prominent and patriotic of Americans. These companies are all prospering, not by forcibly retiring their older workers, not by wasting years of accumulated experience, but by creatively holding onto their older work force, offering training programs, and even hiring retirees. These companies, along with a growing number of others, are at the cutting edge of the future, when older workers will ultimately be recognized by all employers as one of our Nation's most valuable and precious resources.

Mr. Daub.

STATEMENT OF REPRESENTATIVE HAL DAUB

Mr. DAUB. Thank you, Mr. Chairman. I commend you for holding this hearing today. I am confident that by providing a forum for these business executives and others interested in the merits of employing older Americans, we will promote and expand their exemplary performance in this area.

Private industry, by its very nature, focuses on a worker's ability, rather than their age, and many firms have learned that hiring older Americans is not an exercise in charity but rather a wise business decision that provides them with experienced personnel and places them a step ahead of their less enlightened competitors.

In my judgment, mandatory retirement should be banned completely. Contrary to popular myth, study after study has shown that older workers are absent from the job no more frequently than younger workers; that in jobs where mental ability counts more than physical strength, older workers are equal and in some instances superior to younger workers; that older workers' health benefits claims usually cost a company less than claims of younger workers. I could go on and on.

With the passage of the Age Discrimination in Employment Act, brought about by the able and determined leadership of Chairman Pepper, the mandatory retirement age was raised from 65 to 70, and this act brought the Nation into a new era of respect for older workers. We must now work for the healthy economic environment that will translate this historic legislation into new jobs for older workers in a thriving private sector.

I look forward to hearing from our witnesses today and thank them most sincerely for taking time to be with us this morning.

The CHAIRMAN. Thank you very much, Mr. Daub.

Mr. Biaggi.

STATEMENT OF REPRESENTATIVE MARIO BIAGGI

Mr. BIAGGI. Thank you, Mr. Chairman. I won't read my statement, but I ask unanimous consent to include it in the record in its entirety.

The CHAIRMAN. So ordered.

[The prepared statement of Representative Mario Biaggi follows:]

PREPARED STATEMENT OF REPRESENTATIVE MARIO BIAGGI

As an original member of this committee, I am pleased that we are continuing our crusade of advocacy for America's older workers. Our activities have already helped to end mandatory retirement as well as strengthen laws against age discrimination in employment.

Today we focus on what I might call—the new appreciation of the older worker by America's business and industrial community. What is the basis of this new-found appreciation? Simply, the growing recognition that American business and industry need the older worker. Why? We are in the midst of a dramatic demographic revolution. There are 16 percent more people over 65 today than there were just 10 years ago. All told, there are more than 35 million people over 60—meaning for the first time there are more people over 60 than under 10.

This replacement of the "baby boom" with the "senior boom" will be felt most acutely in terms of America's labor force. Based on current population trends—by the year 1995, America's basic workforce could be short by 14 million workers. There is little doubt that this will adversely affect our country's ability to function competitively in the world market. As a matter of fact, labor shortages already exist in high technology, computer sciences and skilled trade industries.

How do we cope with this problem? We must look to and provide opportunities for older workers. We must improve on our record to date—people 60 and over make up 13 percent of the work force—which is barely above their percentage of the total population. Whereas several years ago the trend was in the direction of early retirement—in recent years the American rush to retirement is beginning to subside. The number of people claiming social security benefits for the first time which has risen almost every year since 1937 has begun to taper off. Another statistic, the increase in the retirement rate has dropped from 8.4 percent in the years 1972 to 1974 to just 2.7 percent in 1978 to 1980.

The results of a 1981 Harris poll paint the same type of picture. More than 50 percent of those retirees they surveyed desire to be employed. Further it is estimated that between 3 and 5 million retirees are available to work and are healthy enough to work.

We can view our employment policies for older workers as a veritable waste of a valuable natural resource—one of the few in this Nation which is actually increasing in number. We must improve—older Americans have proven abilities which could be invaluable assets to employers. Their maturity, dependability and experience will help to bolster productivity in our Nation which has been on a dangerous decline over the past two years.

There are hopeful signs on the horizon. We have before us today a number of presidents and chief executive officers for some major corporations, come of whom have demonstrated great support for the hiring and rehiring of older workers. It is interesting to note that 46 percent of the chief executives for the fortune 100 companies are themselves the age of 60 or over. Further, in a recent survey of some 1,200 chief executive officers of California-based corporations, major utility companies and other nonbusiness organizations it was disclosed that more than 75 percent had recalled their own retirees for temporary or longer term jobs while 82 percent have hired people retired from other organizations.

It is clear to me not only as a member of this committee, but also of the house education and labor committee, that government policy ought to permit and encourage greater elderly labor force participation. Increased employment by older workers would generate additional tax revenues for use at levels of government, and based on comments of recent days, it appears as though we are in need of tax revenues.

It would help the elderly individual keep pace with inflation and not have to turn to government support. It would aid productivity because the older worker through

his experience and dependability will give maximum effort and achieve maximum output per man hour of work.

We need a coordinated—elderly employment strategy involving both the public and private sector. We must remove all barriers and disincentives for employment of our seniors. We must take the private sector more "age conscious" in the development of their workforce. The testimony we receive today will help us to shape this policy now and in the future.

Mr. BIAGGI. I would like to be associated with your remarks. Very frankly, I am impressed with what has occurred since we addressed the mandatory retirement question. If you will recall, at the outset there was anticipated opposition and then somehow as the hearings continued the opposition kind of melted away, and we found the huge corporations in our country supporting this legislation. And it is our suggestion that the seniors would be more reliable and more effective workers.

In addition to that, we have a moral obligation to see that they continue, if they wanted to and were able to continue, their employment. Time and events and experience clearly indicate that our judgment was right and serves the basis for additional legislation to eliminate even the areas which continued to be burdened by mandatory retirement.

I think for the record, I would like to point out two areas. We are going through a demographic revolution. There are 16 percent more people over 65 today than there were just 10 years ago. All told there are 35 million people over 60. Meaning, this is the first time there are more people over 60 than under 10, and the baby boom will be replaced with the senior boom.

In addition, I think this reinforces what you say, Mr. Chairman, that 46 percent of the chief executives for the Fortune 100 companies are themselves over the age of 60. In a recent survey, some 1,200 chief executive officers of California-based corporations, major utility companies and other nonbusiness organizations disclosed that more than 75 percent of their own retirees were from longer term jobs while 82 percent of higher level people retired from other organizations.

That is clearly an abundance of evidence to sustain our original contention. But, what I think is important, and I am sure this is the purpose of our Committee and hopefully Congress and the administration will support it, that we ultimately move and remove all barriers and all disincentives for unemployment of our senior citizens.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Craig.

STATEMENT OF REPRESENTATIVE LARRY E. CRAIG

Mr. CRAIG. Thank you very much, Mr. Chairman. I would like to commend you for holding these hearings. They are as critical and important to the Nation and to a tremendous wealth of talent and experience that has somehow very unwisely been shelved. I say that because I grew up and I come from a profession of farmers and ranchers, in which if you are not in your sixties, you are not with it in that industry.

It is always interesting to me when I go home to my ranching community to find my neighbors in their early to mid sixties, some of them early seventies, still very actively performing in their farming and ranching businesses and questioning with some degree why everybody thinks they ought to get out of life at age 60 or age 65.

They don't do it in that profession for a variety of reasons. Statistics say that young people can't afford to get into farming and ranching, when the fact of the matter is that old people are unwilling to get out because of their enthusiasm and their desire to continue in that profession.

So, it is always interesting and unique to me in our area, and in the State of Idaho, and I am sure it is true across the Nation, to find a good many seniors actively involved in this particular profession that I have just described and they say, "We don't dare quit." And my reaction to that over the years has been, "Why?" And their response was similar to yours in riding the bicycle, if you quit pedaling, you fall off. And they say, "If we quit, we will die, and we don't want to die; we want to be active. And as long as we are active, we are going to be physically and mentally healthy."

I think there is a great deal to be said about people with this type of attitude. When you look across the country in the demographics you have just spoken to, we find those seniors and those more elderly citizens in our society who are actively involved in meaningful pursuits, using their minds and their bodies in a productive way, live a great deal longer and are less dependent on society and their families and in most cases not dependent at all because they are so actively involved.

I congratulate you on holding these hearings; they are important.

The CHAIRMAN. Thank you very much.

Mr. Roybal.

STATEMENT OF REPRESENTATIVE EDWARD R. ROYBAL

Mr. ROYBAL. Thank you, Mr. Chairman. May I also join in congratulating you for this hearing this morning. In order to give the witnesses more time to testify, I would ask unanimous consent that my opening remarks be included in the record.

The CHAIRMAN. Without objection, so ordered.

[The prepared statement of Representative Edward R. Roybal follows:]

PREPARED STATEMENT OF REPRESENTATIVE EDWARD R. ROYBAL

Mr. Chairman, I would like to commend you for having this timely and important hearing.

At a time when the labor pool is shrinking, we are now able to see employers offering premiums to retain, retrain, and reemploy older workers. I believe employers are now realizing the positive effects that can be obtained through the commitment and experience of the older worker. What interests me about these new programs is the criteria used for selection of older workers; more specifically, minority elderly.

Age discrimination is one thing I vehemently oppose. All too often in the past, older workers have been encouraged to retire early, some even as young as 45 years of age.

I see the relationship between the older worker and the company as symbionic. The older workers are an economic resource which until now has been ignored.

I am looking forward to hearing from today's panel of executives about the various programs which employ older workers.

The witnesses here today represent companies that have realized that those same persons who in their younger days worked to make our nation strong, can, as senior citizens, continue to be productive individuals.

STATEMENT OF REPRESENTATIVE MILLICENT FENWICK

Mrs. FENWICK. Thank you very much. I am going to do exactly what my colleage Mr. Roybal has done. But I might say, Mr. Chairman, that you and I have more at stake with these hearings than these young sprouts who are our colleagues—a more personal understanding and interest in this whole field. So, we would like to hear from our witness, and I am going to cancel the balance of my remarks and my time. We are so glad you were able to come. Thank you.

The CHAIRMAN. Thank you.

Mr. Crockett.

STATEMENT OF REPRESENTATIVE GEORGE W. CROCKETT, JR.

Mr. CROCKETT. Thank you, Mr. Chairman. I would like to extend my compliments and thanks to the Chairman for his thoughtfulness in holding this hearing. I probably should be appearing as a witness more than as a member of the committee. I retired from active employment as a judge in Detroit when I reached retirement age. I got completely bored sitting around being ignored by everybody else and that is when I decided to go back to work.

I would join those who have indicated that one way to shorten one's life is to be forced to become inactive when your health is such that you can remain active; and I think that is the message that this committee would like to give to the employers of America.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

And now the distinguished ranking minority member, Mr. Rinaldo.

STATEMENT OF REPRESENTATIVE MATTHEW J. RINALDO

Mr. RINALDO. Thank you very much, Mr. Chairman. In the interest of saving time and getting to the witnesses, I would prefer to insert my opening statement into the record.

[The prepared statement of Representative Matthew J. Rinaldo follows:]

PREPARED STATEMENT OF REPRESENTATIVE MATTHEW J. RINALDO

Mr. Chairman, for some years now, we have known about the graying of America. As is the case in most great social trends, we have been slow to appreciate the effects of this demographic change.

In the current decade alone, the ranks of those over 65 will increase by 5 million persons. During the same ten years there will be a decrease of 4 million persons in the 18-24 year old age bracket.

Demographic projections confirm this trend of a graying of America for at least the next 50 years. Moreover, these projections do not take into account the rapidity with which medical science is becoming able to cope with diseases that affect the elderly.

As a result, we should be able to anticipate not only an increase in the number of older people, but a higher proportion of older people who enjoy good health and physical vigor.

Studies indicate that many of these people already want to work and that this trend is likely to increase in coming years.

This is a great boon to industry. What it says is that the potential work force is not diminishing. Rather, its age composition is changing. We have before us today witnesses from research organizations and industry who observe this change from a positive and imaginative perspective.

Mr. Chairman, I admire the foresight and the practicality of such an outlook, and I look forward to the testimony we shall hear from these outstanding witnesses.

I hope and expect that their contribution to this hearing will prove to be beneficial both to America's elderly and to our national economy.

Mr. RINALDO. What we see happening today is a work force potential that is not diminishing but increasing. What is really taking place is that our country's age composition is changing. We have before us today witnesses from research organizations and industry who observe this change from a positive and imaginative viewpoint perspective.

Mr. Chairman, I admire the foresight and the practicality of such an outlook. When I walked in I heard Mrs. Fenwick refer to the "young sprouts." At a hearing we had not too long ago a gerontologist testified that once you reach the age of 46 you are a senior citizen. So, maybe there are not as many "young sprouts" around as she thinks.

I look forward to the testimony we are going to hear this morning from these outstanding witnesses.

The CHAIRMAN. Thank you very much, Mr. Rinaldo.

I have here several prepared statements that members of this committee have submitted for today's hearing record, and if there are no objections I will submit them for the record at this point. Hearing no objections, so ordered.

[The prepared statements of Representatives John Paul Hammerschmidt, Marc L. Marks, and Harold C. Hollenbeck follow:]

PREPARED STATEMENT OF REPRESENTATIVE JOHN PAUL HAMMERSCHMIDT

I am glad, Mr. Chairman, that you have convened this hearing to provide us with an opportunity to learn about improvements in private sector employment practices affecting older workers.

There is certainly no time to be lost in dealing with very serious problems that surround retirement, employment, and benefit issues. There are three issues that are foremost in my mind and in the minds of many older people. First, age discrimination in employment continues to be a negative factor limiting employment opportunities for older workers. Second, the current levels of retirement income support could become a significant problem if economic conditions worsen. And third, since 1978, increased inflation has caused severe financial hardship for a sizable segment of retirees. In fact, a recent Harris Poll indicated that over forty percent of present retirees felt that inflation has seriously reduced their standard of living.

I believe that a joint effort by both the public and private sector is mandatory if we are to resolve these problems. I know that we have witnesses with us today who have developed innovative ideas and practices that, on a microeconomic level, are reversing these negative trends. Our task will be taking these isolated success stories and converting them into a coordinated national effort.

I know that there are many firms that believe they can't afford to offer shorter hours or part-time employment without increasing costs such as payroll taxes on earnings below a fixed ceiling, fringe benefits, and any fixed costs of hiring extra workers. I hope that our witnesses will respond to these concerns in their testimony. I firmly believe that industry would change its policies if they could be convinced that utilizing older workers would be cost effective. To that end, I look forward to the testimony our witnesses will provide, in hopes that we can alter these current perceptions.

PREPARED STATEMENT OF REPRESENTATIVE MARC L. MARKS

Mr. Chairman, I commend you for holding this hearing. Today we will hear from a number of prominent business executives who are actively recruiting the older worker. Obviously, the efforts you and the committee have made to educate the American people, and the business community in particular, about the advantages of employing older workers are bearing fruit.

In addition to recruitment, we will hear about retention and retraining policies. These are good for the corporation, for America and for the older person.

The corporation benefits by having individuals who want to work, who know the value of work and who are determined to make a contribution.

The United States benefits by reducing the unemployment roles and by permitting people to make a contribution to the economic growth of the Nation.

Finally, the individual benefits because his self-image is improved, he has the money to pay his own way and he continues to be a viable part of the community.

I commend the business executives who are with us today. They have taken the lead. I hope others will follow.

PREPARED STATEMENT OF REPRESENTATIVE HAROLD C. HOLLENBECK

Mr. Chairman, I applaud this morning's hearing to learn more about the business opportunities available to older workers.

As a member of this Committee I have long advocated the greater utilization of older workers in both full and part-time employment. I feel strongly that increased labor force participation of workers in the later stages of their lives will help reduce increasing burdens on retirement income programs and will also benefit the thousands of Americans who desire to remain in the work force.

Mr. Chairman, one of the lesser known stigmas associated with growing older is that one is no longer capable of acquiring new skills and areas of expertise. Consequently, opportunities to participate in new learning experiences and retraining programs decline as a person approaches retirement. Yet, as we all know, there still exists a large number of older workers who would benefit from such training and would as such be more inclined to stay in the work force. Thus, the importance of recognizing the important contribution older Americans can make and of allowing them the chance to participate in America's revitalization cannot be underestimated. I commend this morning's witnesses and all the other businesses across America who are joining in this effort. I offer my further assistance.

Thank you.

The CHAIRMAN. We have a gentleman who honors us with his appearance in the hearing room this morning. He is apparently not scheduled to be a witness, but he is one of the greats of America, one of the true heroes of our time. Who doesn't remember those dark days after the dastardly attack upon our country by the Japanese, when we were losing all around different parts of the world, those who were fighting with us were losing and we needed words of encouragement, we needed some heroic example to stimulate our faith in our eventual victory in which we had final confidence. Who doesn't remember that magnificent spectacle of American history led by General Doolittle? After training in Eglin Field, in my State of Florida, they actually took off from an aircraft carrier in the Pacific and bombed Tokyo, letting the Japanese know that our hand could be felt, our fist could finally be upon their face, as it were, at a time when they were confident in their own position with their own buildup and victory.

So, General Doolittle, you are a great American hero and your contemporaries are proud to be a part of your generation.

Is there anything out of your wisdom of great experience that you would like to say? We would welcome anything you would like to say today, if you would like to make a statement.

General DOOLITTLE. I have no words, sir, but it is a delight to be here and a delight to see you again.

Thank you very much.

The CHAIRMAN. We are very greatful to the general for coming here. It is an inspiration to see him.

Our first witness today is Mr. V. J. Skutt, who is the chairman and chief executive officer of Mutual of Omaha Insurance Co. I couldn't let the occasion go by, Mr. Skutt, without thanking you and your company for a delightful dinner I had with you where we all toasted in Omaha to your beautiful new building. We remember George Owen, who was your general counsel from Tallahassee, Fla., one of the closest friends of my brother, who served in the Navy with my brother during the war.

One of our distinguished members here, Mr. Daub, knows Mr. Skutt, and would like to present him.

Mr. DAUB. In this room, in this hearing, age is a virtue. I was told an interesting story, Mr. Skutt, and you can correct me later on if I am wrong, that General Doolittle, Mr. Chairman, could not serve on the board of Mutual of Omaha until after he was mandatorily retired from the board of two other national corporations at age 65, and he has been on the board for 21 years and has not missed a board meeting of Mutual of Omaha. I think that is terrific.

I want to tell you, when I was handed Mr. Skutt's biographical sketch, I knew immediately I would be having a problem trying to keep the introduction shorter than his testimony. This is a gentleman who both personally and professionally, in literally a thousand ways, has earned the respect of his local community, as well as the national business community.

His career began by selling insurance in South Dakota for his father. Then, he joined the legal department of Mutual of Omaha. He served in various capacities with the company and was named chairman of the board in 1953. Presently he serves in this same capacity, and also as the chief executive officer of Mutual of Omaha Insurance Co., United Benefit Life Insurance Co., and Companion Life Insurance Co. of New York.

Mutual of Omaha's operations are international in scope. It is one of the few organizations to be licensed in all 50 States, the District of Columbia, Puerto Rico, Panama, the Canal Zone, portions of the West Indies, all Provinces of Canada and the Netherlands.

Be it sufficient to say that Mr. Skutt has devoted both his time and talents to a number of organizations which are varied in scope and range from international to purely local. His accomplishments take up this entire page—and I hold that sheet up, and want to make it a part of the record.

The honors which have been bestowed on him both civic and business, are just as lengthy. And I also hold that up and ask it be included in the record.

The CHAIRMAN. Without objection, it will be included.

[The honors of Mr. V. J. Skutt follow:]

HONORS OF MR. V. J. SKUTT

Mr. Skutt has been honored with numerous civic and business awards, among them: 1977 Silver Antelope Award, Boy Scouts of America; 1976 Golden Plate Award, American Academy of Achievement; 1975 National Distinguished Service Award, United Negro College Fund; 1972 National Salesman of the Year Award,

Sales and Marketing Executives International; 1971 Man of the Year Award, Federation of Insurance Council; 1971 Man of the Year Award, Mid-America Council, Boy Scouts of America; 1968 first recipient "Can Do" Award, Omaha Chamber of Commerce; 1967 Distinguished Nebraskan Award, Nebraska Society of Washington, D.C.; 1966 Golden Sword of Hope Award, American Cancer Society; 1964 International Boss of the Year, National Secretaries Association; 1963 Air Force Exceptional Service Medal; 1960 Television Award for Public Service; 1957 B'nai B'rith Americanism Citation for Meritorious Service, Henry Monsky Lodge, Omaha; and 1950 Man of the Year Award in Health Insurance (Harold R. Gordon Memorial Award).

Mr. Skutt has also received honorary degrees from Creighton University, University of Nebraska College of Medicine, University of Nebraska at Omaha, and the University of South Dakota.

Mr. DAUB. Having said all that, it is my distinct honor and privilege to welcome my friend, V. J. Skutt, to testify before our committee this morning.

I want to have the record note that he served as chairman of the National Alliance for Business, and was recognized by Presidents Ford and Carter for that work; served on the 1960 White House Conference on Aging; and I want to also say he may have to leave this morning before the rest of the panel is concluded because of a commitment in New York this morning, so we all understand when he chooses the time that he will have to depart.

The CHAIRMAN. Thank you very much, Mr. Daub.

Mr. Skutt.

STATEMENT OF V. J. SKUTT, CHAIRMAN OF THE BOARDS AND CHIEF EXECUTIVE OFFICER, MUTUAL OF OMAHA COS.

Mr. SKUTT. Thank you very much, Mr. Chairman and members of the committee, and thank you, Congressman Daub, for that gracious introduction. You were very thoughtful, Mr. Chairman, in scheduling this particular time because General Doolittle was honored last night by the Air Force Association and we came along with him. When we received your invitation, that fitted nicely, provided we can take care of our other assignments today.

I must say this, while the general said, in response to you, he had nothing to say this morning, that is not typical of his participation in our board meetings. He rides pretty close herd on us, and we want to take this occasion to thank him for all he has done and all he will do. We also have with us here Mr. Jack Dixon, who is sitting next to General Doolittle. He is vice president in charge of personnel for our organization, and is here just in the event that any members of the committee or staff have any questions concerning our communication here and our statement later on.

I am going to abbreviate my oral presentation in deference to the other participants in the panel of witnesses here, and the time of the committee, and I am going to, of course, submit this written statement with the three exhibits, which I hope all of you will have an opportunity to review in due time.

The CHAIRMAN. It will be received and incorporated in full in the record.

Mr. SKUTT. Thank you.

Now, we of the Mutual of Omaha Corp. have an unusual role, Mr. Chairman, because our obligation to senior citizens, as they are sometimes called, and to the whole public, as far as that is con-

cerned, is threefold, as we view it: First, to our policy owners; second, to our associate personnel; and third, to the public.

And in the first respect, I would like to take a moment to congratulate this committee for having shown the initiative to help eliminate some abuses in the sale of health insurance to supplement medicare, which has resulted in action by the States and in which our organization has cooperated to a great extent.

Now, I am not going to spend any more time talking about our service to policyowners because I know this meeting has been called to discuss the employment practices of the company, but I hope that portion of our statement will not be ignored because it is a great story, if we may say it with modesty, of the building of our organization through service by providing additional benefits at lower cost.

The CHAIRMAN. It is a subject that our committee is deeply interested in.

Mr. SKUTT. On the subject we are discussing here today, I would like to merely abbreviate the comments in this report by pointing out that in our associates we have people both in the home office and regional offices and people in the field. In both areas, perhaps, our single biggest factor in maximizing the productivity of our people, young and old, is simply the corporate commitment to do that. It goes back to when Dr. Charles Mayo, of the Mayo Clinic, was a member of our board. About 30 years ago he laid down a rule for us on our position toward people of older ages. It was his position that age should be viewed as a biological and physiological development and not solely chronological. Thus we do not believe in statutory senility, which is another way of saying we do not believe in a rigid, and inflexible mandatory retirement program. And that comes from Dr. Mayo's own statement at our board meeting on a very cold December day when he was delayed getting there from Rochester, Minn. Before we ended the meeting, his long overdue report was asked for by me, as chairman. He had been appointed to select two other nonofficer directors to advise the board on retirement programs. Our board is very diversified and most of them are not associated with the company directly, such as General Doolittle and others.

Anyhow, Dr. Mayo, in making his report said, "Some people should be retired at 65, some at 75, some at 85, some at 45, some at 25, and some, I think, should never have been hired in the first place."

Now, we had quite a bit of flexibility from his statement, which was incorporated in our practices immediately. So, under our system, while we observe for retirement purposes of our general personnel in the home office the age 65 with the extension now to age 70, resolutions of the board provide that the board may continue the services of anyone in our organization for any period of time if that person is performing satisfactorily and has some field of expertise in which our organization would be particularly interested. So we have flexibility there.

How does it work so far as our rank and file are concerned? Four hundred and eight-five of our actively producing sales agents are age 65 or over. They are a major factor in our mission of bringing affordable health insurance and life coverages to the American

people—in the voluntary way. As a matter of fact, we have found that our older associates are most effective in assisting older individuals in the design of supplementary programs most suitable to their needs, probably created by the similarity of age and lifestyle, and so forth.

Among our 248 general managers—I have talked about our salesmen, now I am talking about our general managers—we have 248 throughout the territory which was described by Congressman Daub, in which we operate. Twenty-four of them are age 65 or over. I think that is pretty close to the percentage of the population of those over 65, which is 11 percent. The average age in this general managers group of 24 is 71. The oldest is 88. Interestingly enough, one-fourth of these managers in this category last year earned the highest honor bestowed upon our field managers—a demonstration, in our opinion, of the productivity possible at any age—given proper incentive, proper motivation and proper climate of acceptance.

Among our rapidly growing number of women agents we have some who immediately come to mind. I will give you a couple of examples, I hope you will find the others in the statement. Mattie Herrick joined our company in 1934. She served as saleswoman and general manager in New Orleans—both with considerable success. She is now 83 and still producing business.

Adele Levy is another who is over 80 years old and I have a letter attached here as an exhibit which coincidentally was received this past week when I was preparing this material, so it is attached here to show that she is going strong at age 86.

And we have another coming from the State of Washington, Esther Ann Leid—I just had a note from her. She started with us at age 54—she will be 80 years old on November 5—some 3 days before she travels from Walla Walla to Omaha for a weeklong refresher school on our latest insurance plans.

I am hurrying along here. I can give you many examples, but this is typical of the attitude we have toward our people. As long as they can produce, we are not going to let age stop their services.

I have an addendum attached to this statement which provides age groupings of our general managers. It simply illustrates the fact that we do not accept age, young or old, as a barrier to performance, achievement or success.

In our home office operation we have installed a flex-time program to help those who wish to modify their hours of service, beginning and quitting time, and have taken other steps in our preretirement counseling program to design it not just for retirement but for transition from a different type of work as may make their lives more productive.

The average age of our directors is 62, for your information, and they range from age 34 to 84, with the median age of 60. We believe that our whole approach to this is such that we have a representative age mix and that is good for our organization, and good for the people. Such a mix combines the initiative and energy of youth with the experience and wisdom of age. And working together we insist upon close communication in our organization between them as a vital part of our operating procedures.

91-818 O—82—2

You already mentioned General Doolittle, but I want to say this about him. Not only has he not missed a meeting of the board in the 20 years he has been a member—and some much younger have missed meetings of the board from time to time—but also he has not missed any meetings of the committees he has served on as a member or consultant.

I would like to take a moment to talk to you about our obligation to the public, as we see it, going beyond what we did for our own personnel and for policyholders, in trying to achieve the objective for the aging which is such a concern, properly, for this committee.

Our organization's record for economy in operation has allowed us to extend our corporate-obligation philosophy beyond our policyowners and associates to the public at large. Much of this activity is oriented to the involvement and productivity of older Americans.

Earlier this year, we began sponsorship of a network radio broadcast entitled "The Best Years"—featuring that renowned author and commentator, Lowell Thomas. The program was designed to communicate to the older segment of our population their many opportunities for achieving a full and productive life of which Lowell Thomas himself was a great example. He died suddenly in August the day after taping some additional shows. And he was active until the day of his death at age 89.

Our organization feels strongly about the example that he and other older active people provide for the elderly of our country. For this reason, we made the decision to continue the program after Lowell Thomas' death and worked out a program with Helen Hayes, the First Lady of the American Theater, who is 81 years of age, and she is carrying on Lowell Thomas' program on radio throughout the country.

She and Marian Anderson, that famous First Lady of Song, were recipients in 1976 of the Mutual of Omaha Criss Award. We established this award after I became head of Mutual some years ago, and its purpose is to recognize individuals who make significant contributions to the health, safety and welfare of the American public.

The award was last given in 1979 to Dr. Benjamin Mays of Atlanta, Ga. He climaxed a life of educational service as president of the Atlanta, Ga., School Board. He just resigned from that position a few weeks ago at age 89.

Miss Hayes, Miss Anderson, and Dr. Mays joined such other outstanding recipients as Dr. Jonas Salk, Bob and Dolores Hope, and Dr. Howard Rusk. Dr. Rusk, age 80, is still very active and is a director of the Institute of Rehabilitation Medicine in New York City, and is an advisor to us on rehabilitation matters. We feel that rehabilitation and employment of the so-called elderly go hand in hand.

These award presentations were carried on national television as a preemption of our program, "Mutual of Omaha's Wild Kingdom." These outstanding individuals were able to serve as an example and inspiration—demonstrating to other senior citizens how to add life to their years as well as years to their life.

We have done a pretty good job in this country adding years to life, extending the longevity of our people; we have not done such a

good job of adding life to years. That is what these opportunities are all about that we discussed in our statement.

I think, also, that we should not overlook, members of the committee, the adverse impact on the economy due to premature retirement. And there are many examples of individuals with serious problems, such as cancer, arthritis, and other diseases or injuries, who conquered them and became productive citizens. However, there is a tendency on the part of some to be discouraged with even relatively minor conditions, so we have endeavored to bring before them examples of what can be done in that area.

I think it has an affect, also, on the experience of medicare, the social security system, affecting its fiscal status about which we are all concerned today. Anything that we can do to improve the activities of those in the older ages and the handicapped will contribute to their happiness because an active person is more happy than an inactive person, regardless of age.

We have endeavored to employ in our operation the concept of rehabilitation that I mentioned, and I don't think you have to look any further than Washington, D.C., to see a great example of rehabilitation. I am speaking of the late President Franklin Delano Roosevelt. Here was a man paralyzed from the hips down, and in normal nomenclature would be considered an invalid, and yet he served in this most difficult position for the longest period in history.

The reason I emphasize this, is because it is my observation, Mr. Chairman, that there isn't nearly as much attention directed to rehabilitation as I think there should be in meeting these problems that we have discussed.

Now, the principal of our "Wild Kingdom" show that I mentioned—I am hurrying along in deference to my fellow panelist—is Marlin Perkins—and he is pictured in our annual report which will be one of our exhibits here, with a little description about some of his activities. Marlin is still going strong after 20 years of that show which we bring to the American public. He continues to lead this active lifestyle that places him in strenuous and hazardous situations in locations around the world where adventures of Wild Kingdom are filmed. He is still another example to senior citizens that they can continue to be active, because Marlin Perkins was 76 years old on March 28 when he took an extra dive in the ocean after some whales.

I hope you have an opportunity to read pages 2 and 18 of the report attached to this statement. Also the supplement which shows our age breakdown of general managers—from 20 to 29 we have four; 30 to 39 we have 52; 40 to 49 we have 75; 50 to 59 we have 68; 60 to 69 we have 39; 70 to 79 we have 10; and 80 to 89 we have 2—which brings about this balance that I referred to earlier, this mix which we think is a desirable course of action.

In our annual report, which was prepared in January of this year—so it was before I knew I was going to testify here today—there is this statement which sort of summarizes the position of our organization on employment of the elderly, "Mutual of Omaha offers you a career you can work at no matter how old you become, no matter how much money you make. As long as there are people who need your help, you have a career."

That is in the material. I thank you, gentlemen.
[The prepared statement of V. J. Skutts follows:]

PREPARED STATEMENT OF V. J. SKUTT, CHAIRMAN OF THE BOARDS AND CHIEF EXECUTIVE OFFICER, MUTUAL OF OMAHA COMPANIES

Thank you Chairman Pepper and members of the Committee.

I am V. J. Skutt, Chairman of the Boards and Chief Executive Officer of the Mutual of Omaha Companies.

We were pleased to accept your invitation to appear today and, first, wish to express our appreciation for the statement contained in your letter of invitation describing our Organization as "in the forefront" of an enlightened trend to recognize and maximize the potential of older workers. It is this potential that we shall address shortly. We unqualifiedly agree with your Committee's intent to identify and utilize the vast capabilities and experience of our fellow citizens—regardless of age. People are our national treasure. And we firmly believe the mental, physical and financial well-being of all mature citizens is best served, when individuals can willingly continue to contribute of their talents in a work environment.

The 72-year history and world-wide scope of our operations have provided ample support for this point of view. Mutual of Omaha is the largest individual and family health insurance Company in the world. Our Organization has paid more than $12.5 billion in benefits to policyowners for sickness and injury. Last year we handled more than 5.2 million claim related transactions with over 99.8 percent consummated without complaint. Currently, we pay out over 22,000 benefit checks each day totaling nearly $20 million in benefits each week.

We preface the following remarks with this background of our Organization to lay the foundation for our discussion oriented "to the new corporate attitudes toward older workers, managers and executives", as set forth in your letter of invitation to participate in this hearing.

First, our record of service, briefly touched upon, has been built by people of all ages for people of all ages. Secondly, it reflects the operating philosophy of our Organization. This philosophy simply stated is that the Mutual of Omaha Organization categorizes its obligations—first to its policyowners; secondly, to its associates and personnel; and thirdly, to the general public, including, of course, the legislative and other branches of these state and federal governments.

OBLIGATION TO POLICYOWNERS

Within the context of your interest here today, we have long believed that affordable and dependable insurance coverages were essential ingredients of a full and productive life for older Americans. Our goal is that this large segment of Americans have the same opportunity that those of other ages have as far as health insurance coverages are concerned. While plans for people age 65 and over have been an important part of our portfolio for decades, we were the first company to offer such coverages nationally—regardless of the health condition or age of the applicant. We have continually improved and updated these coverages to meet the changing needs.

Likewise, our organization was among the first to produce the "easy-to-read" insurance policy—for the primary benefit of older policyowners. Among the complimentary reactions of regulatory authorities to this innovation was that of the Kansas State Insurance Commissioner who described it as "the most comprehensive effort made by any insurer thus far toward more readable and understandable health insurance policies."

We should mention, as well, that our supplementary coverages for people age 65 and over are intended to be flexible enough to meet any future modification of Medicare benefits that may be made necessary by federal budgetary problems or limitations.

In this regard, we feel that a program of meaningful tax-credits for the purchase of individual plans of insurance would be a significant incentive for people to provide for their own protection. Also, the government can do much, in our opinion, to emphasize the importance of rehabilitation of disabled people of all ages—but certainly older Americans, in an effort to keep them leading productive lives.

OBLIGATION TO OUR ASSOCIATES

Our Organization's obligation to its associates is perhaps the area of discussion most pertinent to your hearings here today. We shall approach this category of responsibility from two areas of discussion: our associates in the field and in our Home Office.

In both areas, perhaps our single biggest factor in maximizing the productivity of our people—young and older—is simply the corporate commitment to do so! The late Dr. Charles Mayo of the Mayo Clinic in Rochester, Minnesota, was a member of our Board of Directors when our programs for elderly policyowners and Company personnel were defined some 30 years ago. It was his position that age should be viewed as a biological and physiological development and not solely chronological. Thus we do not believe in statutory senility, which is another term for a rigid, and inflexible mandatory retirement program. We have subscribed to Dr. Mayo's principle through the years—and would suggest its adoption for any organization concerned with seriously meeting the employment problems of older Americans.

In respect to our field associates, there is no age restriction whatever on the hiring of agents—except for the minimum age limitations imposed by the states. There is also no mandatory retirement age.

485 of our actively producing sales agents are age 65 or over. They are a major factor in our mission of bringing affordable coverages to the American people—in the voluntary way. As a matter of fact, we have found our older associates are most effective in assisting older individuals in the design of supplementary programs most suitable to their needs. Undoubtedly, the relationship created by the similarity in age and life conditions facilitates this objective.

Among our 248 general managers, 24 are age 65 or over. This corresponds rather closely with the 11% of the general population of our Country over 65. The average age in this general managers group of 24 is 71. The oldest is 88. Interestingly enough, one-fourth of these managers in this category last year earned the highest honor bestowed upon our field managers—a most impressive demonstration, in our opinion, of the productivity possible at any age—given proper incentive and motivation and a climate of acceptance.

Among our rapidly growing number of women agents are some who come immediately to mind . . . and evidence the fact that success is not limited by age or sex.

For example, Mattie Herrick joined our Companies in 1934. She has served as a saleswomen and general manager in New Orleans, Louisiana—both with considerable success. She is now 83—and still producing business.

Adele Levy joined our Companies in 1944 and is 86 years of age. She has had a resplendent career as a repeated winner of our highest health insurance sales achievements and is a Life Member of the prestigious Million Dollar Roundtable in the life insurance industry. We have just received a letter from Adele, at the same time we received your letter, Chairman Pepper, which is attached to a copy of my remarks.

As another example, a fine lady, Esther Ann Leid, hails from the State of Washington. She began her insurance career with us when she turned age 54. She will be 80 years old November 5—some three days before she travels from Walla Walla to Omaha for a week-long refresher school on our latest insurance plans! Esther obviously means to continue her career for quite a while!

We have an addendum to this statement which provides the age groupings of our general managers. It simply illustrates the fact that we do not accept age—either young or old—as a barrier to preformance, achievement and success.

The same principle is applied to our associates who work in our Home Office and Regional Offices. And at the present time, we are deeply involved in continuing efforts to examine how best to enhance the opportunity for further employment for retirement-age associates who wish to continue with the Companies. For example, early last year we introduced a flex-time program on a voluntary, optional basis to all Home Office personnel. More than 4,000 elected to participate. They can start early or late and complete their 7¾ hours according to a schedule most convenient for them.

Another example of our continuing efforts along this line is our pre-retirement counseling program—designed not just to prepare employees for his or her transition from work-life to retirement life but rather to make sure that a continuation of employment be introduced into this program as a viable option for consideration.

In recent years, approximately 15% of our retirement age employees have elected to continue employment with our Companies. We are proud and happy to have them stay with us. Their contribution is most significant.

We have made provisions that any associate who does choose to work beyond normal retirement age will continue to receive all his or her employment benefits—including health and life group insurance. We believe this is a most important incentive.

It is our feeling that the commitment in this matter must not only come from the top levels of an organization. It must be reflected in actual practice in every level of the enterprise.

Our Organization's executive management is just one example of the importance we place on an appropriate blend of ages in guiding the future course of our business.

The average age of the Presidents of Mutual and its eight affiliated companies is 56. It was 45 at the time of their appointments.

The average age of our Directors is 62. They range in age from 34 to 84—with the median age 60.

We believe a representative age mix is good for our Organization and its people. Such mix combines the initiative and energy of youth with the experience and wisdom of age. Communication between them is a vital part of our operating procedures.

We are honored to have as a member of our Board that great American, Gen. James H. Doolittle. General Doolittle has been with us nearly 21 years—and during that period of time, has never missed a meeting of the Boards or various committees on which he serves. General Doolittle today, as some of you who may know him can testify, is mentally and physically able to contribute to virtually any business entity in the highest competent manner.

Your letter, Mr. Chairman, prognosticated a decline in young employees under the future demographics of our Country. And certainly this gives a new urgency to the concerns you evidence by this hearing. The Committee, however, may be interested to know that in addition to providing the special programs of employment for the youth to help meet current unemployment problems in that age category, we are at the same time devising a more effective way to meet the projected deficiency to which you refer in the young age labor market. A very major part of this plan will be an expansion in the use of "retirement-age" individuals on both a full- and part-time basis. We have absolutely no hesitation to further incorporate these individuals into our operations. They will be good for us. And hopefully, we can be good for them.

We propose to supplement our present program by offering retirees opportunities for "temporary or on call" types of jobs now given by some companies to individuals obtained from employment agencies for peak periods of activity. This, of course, must depend on the need for such help. In this connection, the great contribution that many of our personnel, who are above normal retirement age, have made is demonstrated by the fact that over the past 20 years the benefits paid to our policyowners averages over 16% more than those paid by the next 24 companies in our field. That could only be done through efficient, cost-saving devices and efforts for the benefit of our policyowners as a whole and through the efforts of all our personnel.

OBLIGATION TO THE PUBLIC

Our organization's record for economy in operation has allowed us to extend our corporate-obligation philosophy beyond our policyowners and associates to the public at large. Much of this activity is oriented to involvement and productivity of older Americans.

Earlier this year, we began sponsorship of a network radio broadcast entitled "The Best Years"—featuring that renowned author and commentator Lowell Thomas. The program was designed to communicate to the older segment of our population their many opportunities for achieving a full and productive life of which Lowell Thomas himself was a great example. He died suddenly in August the day after taping some additional shows. He was active until the day of his death at age 89. Our Organization feels strongly about the example that he and other older active people provide for the elderly of our Country. For this reason, we made the decision to continue the program—and were fortunate to obtain Helen Hayes, the First Lady of the American Theater, as spokeswoman, at age 81.

Miss Hayes, as well as Marian Anderson, age 79, the First Lady of Song, were recipients in 1976 of the Mutual of Omaha Criss Award. The Criss Award was established shortly after I became President of Mutual of Omaha. Its purpose is to recognize individuals who have made significant contributions to the health, safety and welfare of the American public.

The Award was last given in 1979 to Dr. Benjamin Mays, who, in his eighties, climaxed a life of educational service as President of the Atlanta, Georgia, School Board. He resigned just a few weeks ago, at age 89.

Miss Hayes, Miss Anderson and Dr. Mays joined such other outstanding recipients as Dr. Jonas Salk, Bob and Dolores Hope and Dr. Howard Rusk. Dr. Rusk, age 80, is still very active and is a Director of the Institute of Rehabilitation Medicine in New York City. He is also a nominee, this year, for a Nobel Prize.

These Award presentations were carried on national television as a pre-emption of our "Mutual of Omaha's Wild Kingdom". These outstanding individuals were able to serve as an example and inspiration—demonstrating to other senior citizens how to add life to their years as well as years to their life.

With improvements in our Country in extending longevity we seem to have done a good job in the latter category—that is, adding years to life. General age restrictions, however, have tended to frustrate the objective of adding "life to years".

In this analysis, we should not overlook the adverse impact on the economy due to premature retirement. As to the elderly, minor physical conditions tend sometimes to discourage them from productive activity. There are, however, many examples of individuals with problems such as cancer, arthritis, and other diseases or injuries. Some individuals have conquered these conditions and continue to be productive citizens. If more of our mature citizens can be encouraged to carry on productively, where possible, despite some afflictions and the aging process, the adverse experience of Medicare and the Social Security system, affecting its fiscal status in that of our Nation, could be improved. It will also contribute to their happiness because an active person is more happy than an inactive one, regardless of age.

Thus we have endeavored to employ in our operations the importance of the concept of rehabilitation, which frankly seems to be conspicuous by its absence in many costly government welfare programs that we have observed. And it is a singular and significant fact that no one needs look further than the National Capital in Washington, D.C. to see what was probably one of the greatest examples of rehabilitation in the history of mankind. We are referring, of course, to Franklin D. Roosevelt, who while paralyzed from the hips down—and thus by normal definition an invalid—filled the most important position of our Nation for the longest period in the history of that office.

Actually Mutual's attention to the potential of rehabilitation goes back almost to the time of FDR. In fact, for over half of the period since his death we have sponsored a program for the benefit of people of all ages, including the elderly. This program, Mutual of Omaha's Wild Kingdom, has been designed to educate and entertain—and hopefully inspire—people of all ages, including the elderly.

The principal of that show, Marlin Perkins, is shown in our 1980 Annual Report,[1] attached to the copy of my remarks, with the Late Dr. Alton Ochsner of the Ochsner Clinic in New Orleans. They are pictured at one of our national Policyowner-Consumer Conferences—an innovation unique in the insurance industry.

Marlin Perkins, the star of Wild Kingdom for over twenty years, continues to lead his active lifestyle that places him in strenuous and hazardous situations in locations around the world where the adventures of Wild Kingdom are filmed. He is still another example to senior citizens that they can indeed continue to be active, because Marlin Perkins was 76 years old on March 28 of this year.

ATTACHMENT 1

Age breakdown of general managers, Mutual of Omaha Insurance Co.

Age:	Number[1]
20 to 29	4
30 to 39	52
40 to 49	75
50 to 59	68
60 to 69	39
70 to 79	10
80 to 89	2
Total	250

[1] Total number of 250 includes 2 agencies with comanagers.

ATTACHMENT 2

UNITED OF OMAHA,
New Orleans, La., October 19, 1981.

Dear V. J. ———: It was such a joy to be at my 29-Seminar—and I hope you will continue for me to be invited.

I learned so much about the changes and how to handle it—with regard to Life Insurance.

[1] See pages 2 and 18.

Jerry O'Donnell as usual was most helpful—and did everything possible to make my stay comfortable and enjoyable.

I am still hoping for good news on the dedication in Dallas this winter.

My best wishes to your wife—and Good Health also to you.

Thank you for being you.

ADELE O. LEVY,
Insurance Counselor.

[NOTE.—Attachment 3 retained in committee files.]

The CHAIRMAN. That was a splendid statement, Mr. Skutt, and you and General Doolittle, if I am not violating any confidence, I understand you are 79 and the general, I believe is 84. You are two representatives of your company here today that are splendid examples of quality and leadership that elderly people are giving to your company and, so, we are very grateful.

What is your time situation, Mr. Skutt?

Mr. SKUTT. If it is permissible, I will stay while you continue and if I have to leave, I will slip out.

The CHAIRMAN. Very good.

I just have two questions, and I would like my colleagues to have an opportunity to ask any questions.

Earlier in this year we were hearing about changes in business attitudes toward older executives. As an older executive yourself, what special perspective do you bring to your job that might be lost if you were replaced by a younger person?

Mr. SKUTT. Well, you are asking me that question. If you ask someone else, they might answer differently. But in keeping with our philosophy, I think that what would be lost would be all the years of experience and the opportunity to exchange those experiences and knowledge with younger executives.

Now, the presidents of Mutual and our affiliates are in their late forties or fifties and we have again this mix. We feel you need young people. So, I would say that as long as older people can do the job and communicate and are willing to make those sacrifices to do it, they should continue. It is not a sacrifice for me because I enjoy it more than I do what some people say is having fun, because it has been my life and I love it. So, to answer your question, I think it is mainly a matter of having that mix of experience and energy and youth and the older people.

The CHAIRMAN. You know, as I understand it, from my own experience, I understand that the mind is generally about the last part of the body to diminish in its activity.

I was on the cross country team when I was in college. I often say I don't think I want to undertake one of those 10-mile runs that I could do then, but if I need to go 10 miles, I have a good car. And you don't have people to run 10 miles, you have people to think, people who have valuable knowledge and experience. Look at what General Doolittle has been able to bring to your Board out of his enormous experience.

I hope you noticed—and you mentioned it in your statement—many older workers and retirees express a desire to work part time or to have a flexible work schedule. Can these types of schedule changes be arranged within your company?

Mr. SKUTT. Yes. We have a flex-time program that works very well and it provides the flexibility that is necessary to meet special

situations. And the actual performance of our people has improved. So there has been no problem in that respect.

I would just like to add one word to the answer that I made to your unexpected question about what would happen if I made a change. And that is, I think one of the problems in continuing senior executives, so to speak, is the fact that you feel that you are keeping junior executives from being promoted. But, as a matter of fact, we have six more presidents now in our organization now than we had when I started. We have expanded the operations of the company. We formed affiliates and we have had more opportunities. Mr. Barrett here, for instance, has the responsibilities equal to the principal officer of a good many companies. So, there is plenty of opportunity for both.

The CHAIRMAN. Thank you very much. I don't want to deprive my colleagues from asking questions, or I would ask you many more.

Mr. Daub.

Mr. DAUB. I get the chance to ask Mr. Skutt for his good counsel and advice whenever I want it because he is a most distinguished constituent in my district. I would want a couple of things to be known for the record.

The company now employs a total of how many people, Mr. Skutt?

Mr. SKUTT. In Omaha we have between 5,200 and 5,500, and around the country another 12,000.

Mr. DAUB. So approximately 17 to 18,000 individuals work within the affiliated organizations of United Mutual. When he was speaking about the balance of that curve of age, I think that is significant.

Second, can you tell me, was your company called upon to provide guidance in the most recent difficulties that our Government has had with respect to reform coverage for aged care?

Mr. SKUTT. Yes. Our policy was taken as an example of the type of policy that senior citizens, so-called, should have.

For example, in the State of Arizona—you probably are familiar with what the insurance department did there—they set up an arrangement where they invited salesmen to come in and they tried to uncover some of the abuses that you pointed out in this committee. They used our policy as an example of the kind of policy that people should have. It has big print and the Kansas Insurance Department made a statement about it in which they pointed out that the Kansas Insurance Commissioner described it as, "The most comprehensive effort made by any insurer thus far toward a more readable and understandable health insurance policy." The terms themselves are broad enough to provide proper coverage for the premium paid.

Mr. DAUB. Thank you very much.

The CHAIRMAN. Thank you, Mr. Daub.

Before I call on another colleague, I would like to acknowledge the presence of the distinguished member of the House who is not a member of this committee but he is a very able Member of the House, Mr. Don Clausen of California.

Mr. CLAUSEN. Thank you very much.

The CHAIRMAN. Mr. Biaggi.

Mr. BIAGGI. Apparently your company has an enlightened policy in connection with employing senior citizens. In your experience, are other insurance companies and other large corporations adopting a similar policy and practice?

Mr. SKUTT. I think they are coming to that more, Mr. Congressman. Of course, we may have mentioned earlier that the only reason we were able to have General Doolittle on our board is because the other boards on which he served had mandatory retirement. So I am sort of in favor of mandatory retirement in other companies if we can keep getting people like General Doolittle.

Seriously, I think it varies some. It would be safe to say that there is a trend toward liberalizing the program.

Mr. BIAGGI. Thank you.

The CHAIRMAN. Mr. Craig.

Mr. CRAIG. I have no questions. Thank you.

The CHAIRMAN. Mr. Roybal.

Mr. ROYBAL. Thank you, Mr. Chairman.

I have one question. What kind of qualifications must a person have to become an employee of your company? And second, after the company is satisfied with the candidates' ability, what kind of training do they get?

Mr. SKUTT. Well, we have an equal employment opportunity program which has been employed, including affirmative action. Dr. Gloria Scott, vice president of Clark College in Atlanta is consultant to our personnel department and the usual tests are applied. I suppose, if you want to get into detail and take the time, Mr. Dixon, who is head of our personnel department, is here.

Would you answer that question, Jack?

Mr. DIXON. As far as the kind of training that we offer, generally when we are looking at the employees, applicants for employment, we are looking at the person's potential and we have a number of formal kinds of training programs, skill-building, that kind of thing.

In addition to that, just about every one of our departmental operations has a type of on-the-job training that is open to new employees and to anyone who needs to be trained for the specific requirements of a particular job.

Mr. ROYBAL. That doesn't quite answer the question, particularly with regard to qualifications of the individual that goes to work for you.

Mr. DIXON. As far as the particular qualifications are concerned, we are talking about probably around 1,500 different jobs. Each one of those jobs is fully described and the qualifications are stated in writing so that when we are considering applicants, we are looking at the background and experience the particular applicant has and weighing that against the particular requirements of those openings that we might have at any given time. So it will vary, depending upon the individual person that we are looking at and the jobs that we have available.

Mr. ROYBAL. So the openings, then, are not all in the sales field?

Mr. DIXON. No. We are talking about openings in our sales area and in the field throughout the country.

Mr. ROYBAL. And you are not necessarily looking for former college professors or college graduates, but people who have had some kind of experience related to the particular position that is opened.

Mr. DIXON. Yes.

Mr. ROYBAL. Thank you, Mr. Chairman.

[The following information was subsequently received from Mr. Dixon:]

MUTUAL OF OMAHA,
Omaha, Nebr., November 25, 1981.

Hon. EDWARD R. ROYBAL,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN ROYBAL: During the recent opportunity we had to testify before the U.S. House of Representatives Select Committee on Aging, we may not have fully responded to your question on the qualities we seek in our personnel and the types of training available to successful candidates.

After discussing the question in a general way as it applies to selection and placement throughout our organization, it occurred to us that the focus of your question was directed more toward candidates for sales positions. In the interest of clarifying our response, the following may be helpful to you:

In seeking people of all ages who can be successful in marketing and selling our products, we are not necessarily looking for long and successful selling experience. We offer extensive training for applicants who have the desire and the potential for success.

In identifying such qualities, our general managers look for people who desire to succeed in business where, in addition to financial success, there is an opportunity to gain personal satisfaction from doing the type of work that provides a needed service. We term this quality "Mission", which we define as desire to make a contribution to the lifestream of humanity, making the personality of mankind a little better and life a little richer. Our plans of protection are oriented to that objective really, of helping people help themselves—particularly in providing for some financial security against those inevitable and costly conditions: illness, injury, death.

Thus, the type of person we're looking for is probably people oriented and dedicated to the ideal of helping others. He or she has a greater than usual capacity for empathy and a high level of sensitivity to the needs of others. Of course, any past experience or success that suggests good communication skills, tendency to be a self-starter, and ability to organize and manage his/her own time is beneficial.

The enclosed booklet entitled "Mission" defines these qualities more completely and may be of interest to you. Please note on the page labeled "Mission", the statement, "Mutual of Omaha offers you a career you can work at no matter how old you become, no matter how much money you make. As long as there are people who need your help you have a career." [1]

In regard to training, Mutual of Omaha operates National Sales Training centers in four locations: Omaha, San Francisco, Pittsburgh, and Miami. All new sales personnel have the opportunity to attend four formal seminars or schools in their first two years with our organization. This totals 20 to 25 days of formal training at the beginning of a career, combined with extensive agency level training working with successful professionals. This extensive professional development effort continues throughout an individual's association with our Companies as new coverages are introduced and the need for refresher training occurs.

As to qualifications for potential associates in our organization, you may find the attached press interview with our Chairman, Mr. Skutt, and some other corporation executives of interest.[1]

We appreciated the opportunity to make our programs known to the Select Committee and hope this additional information will be useful to you. Please let us know if we can assist you in any other way.

Sincerely,

JACK DIXON,
Director of Personnel.

The CHAIRMAN. Thank you, Mr. Roybal.

Mrs. Fenwick.

[1] Retained in committee files.

Mrs. FENWICK. Thank you, Mr. Chairman.

I would like your opinion on social security retirements and how they might affect, or depend on, the employment of older people.

When I came down here I was hoping that we could move to eliminate any cuts in social security benefits for those who chose to work after the age of 65 and before the age of 72. If they want to work and are paying their social security taxes, why they can't go on working and get the benefits?

Also, I would like to hear your opinion of the reduced social security benefits that come with retirement at 62, and the whole question of the retirement age in view of the increase in longevity.

What is your opinion as to the age of retirement?

Mr. SKUTT. You put your finger on something that is very serious—that is why you asked it, I guess.

First of all, we think it was a desirable move to expand the earnings allowance to $5,500 recently. I think it was very unfair previously to keep it so low. There was no incentive for someone on social security, however low their social security might have been, to earn more money on the outside. So, I think that is a step in the right direction. I assume that might possibly be extended.

Beyond that, I think you just have to take a hard look at the problem. It is not funded, and you don't have the reserves that should be there that we have to have in the insurance business. If you read this annual report of ours, you will see we have all these reserves. The reserves are held to meet future obligations which are about to occur because sickness, injury, and death are inevitable. They are bound to occur.

I am afraid that in the zeal to do so much with the social security system, it suffered from a lack of professional attention to the reserve requirements.

Other than that, I have nothing to say except to commend those who are working on the problem here who realize it is a problem and that it may involve some sacrifices here and there to maintain the solvency of the system.

Mrs. FENWICK. Thank you. It is a problem. One wonders how to encourage continued activity on the part of those who wish to be active and at the same time help those who are retired and want to retire. Thank you.

The CHAIRMAN. Thank you, Mrs. Fenwick.

Mr. Crockett.

Mr. CROCKETT. No questions.

The CHAIRMAN. Mr. Hendon.

Mr. HENDON. No questions.

The CHAIRMAN. Mr. Vento.

Mr. VENTO. I paid close attention to the comments on social security, but obviously that is not the purpose of this hearing. Let me get back to another problem.

Later we are going to hear testimony that will specify problems with respect to companies' willingness to hire older executives and managers. You point out one problem in your work, involving health insurance. In some cases pension plans and social security also inhibit hiring older executives because of vested rights. We all like to see penalties removed but obviously in terms of social security that increases dramatically what our cost will be and that re-

luctance to eliminate earnings and we would like to look at unearned income as a solution for social security.

In the positive vein, have you begun to offer, through Mutual of Omaha, a program that would alleviate the pension problem for companies?

Mr. SKUTT. The pension problem?

Mr. VENTO. Yes.

Mr. SKUTT. We have expanded our pension program and are continuing to do so. We feel that is one way to help meet the social security problem.

We were asked here about the reduction of benefits at age 62 and so forth. We think that the pension programs supplement social security and they are integrated with it in most employer programs. And I think we have to take a realistic look at that, such as you suggested.

Mr. VENTO. Thank you.

The CHAIRMAN. Did you finish?

Mr. VENTO. I realize the gentleman has to go.

The CHAIRMAN. I would like to add that this committee has initiated proposed legislation to make a better pension provision for retired workers and also to encourage savings as an adjunct to social security.

Mr. Carman.

Mr. CARMAN. Thank you, Mr. Chairman.

Mr. Skutt, I have long been an admirer of your television program, the "Wild Kingdom" and I never thought I would see another one, but since I have been here in the Congress I have seen a "wild kingdom" of a different sort.

I certainly applaud the chairman's point about your attendance at this committee. Your testimony has been most helpful. I can tell you as an individual whose father is 80, and continues to practice law, and whose mother is 72, and continues to run a real estate agency, we do not allow too much grass to grow in our area.

Something that would be interesting for me to hear from you is specifically in regard to social security. Are there any specific changes in the medical pension system or Federal benefit regulations or other regulations generally that you think might be useful in enhancing job opportunities for older workers. Apart from the business when obviously the inequities in penalizing people who work in losing their social security benefits, do you think there are any other areas that you could speak to for enhancing job opportunities for the elderly?

Mr. SKUTT. Mr. Carman, I thank you for your comment about "Wild Kingdom." And you will not get any bad thoughts looking at that show.

Mr. CARMAN. That is not true of all shows today.

Mr. SKUTT. On how you are addressing the aforementioned problem is very complex. I think Mr. Myers—Bob Myers—is one of the principal advisors now on your pension and your retirement and Social Security studies here in Washington. I can tell you that he is very highly regarded in the industry for his knowledge and experience. I think the great step was made, as I responded to Mrs. Fenwick, in expanding the earnings limitations, and I don't know of

any better practical approach to it right now than continuing pursuit of these studies.

Mr. CARMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Derrick.

Mr. DERRICK. I have no questions.

The CHAIRMAN. Thank you very much.

Mr. Shamansky.

Mr. SHAMANSKY. No questions.

The CHAIRMAN. Mr. Clausen, would you like to ask any questions?

Mr. CLAUSEN. I don't think so, Mr. Chairman. I found this to be very interesting and I want to commend you and all the members of the committee, and particularly the witnesses, for what I think is a timely and productive hearing. Having been in the insurance business myself—I have been a competitor of yours—I know the products. In partial response to what was said about the potential for employment, it obviously centered around attitude. Fitting the individual to a given work slot can best be served if it is done objectively and with a minimum amount of politics involved. And I wanted to make that statement.

The CHAIRMAN. Mr. Skutt, we thank you very much for coming with us and bringing your distinguished associate, General Doolittle. We are very grateful to both of you.

Mr. SKUTT. You have been very nice to both of us. Thank you very much.

[Mr. Skutt's answers to the written questions of Representative Mary Rose Oakar follow:]

Question. What are the percentages of men vs women participants in your retiree program?

Answer. While Mutual of Omaha was founded in 1909, our major growth has occurred since 1950. Therefore, the number of retirees is not large relative to our approximately 18,000 associates. In our Home Office organization, we have 339 retirees, 57.8 percent women and 42.2 percent men. These retirees receive pension benefits based upon salary and length of service through a retirement income plan fully funded by the Companies. The typical benefit for an employee with 25 years of service is 60 percent of average salary over the last 5 years of employment, less 50 percent of the primary Social Security benefit. Sales associates are covered by a separate plan related to their tenure and personal production.

Question. In clerical and service sector jobs experience is not highly valued; in a program like yours which emphasizes experience are these workers able to participate?

Answer. Clerical and service workers may retire with full benefits under our Retirement Income Plan. Those who elect to continue working also continue to accrue benefits for years worked beyond age 65 on the same basis as years prior to age 65. Employees at all levels may continue to work past age 70 with Board approval.

Question. In 1978 the average income for older men was almost twice that of older women; twice as many women as men have no pension coverage; in what may have these biases been made more equitable in your retiree program?

Answer. Our Retirement Income Plan benefits accrue at the same rates regardless of job level or sex.

Question. Unemployment is 33 percent higher for women over forty than for men over forty and 80 percent of women who are employed are concentrated in dead-end, low-paying jobs. What special hiring practices, policies and corporate attitudes does your retiree program have with regard to this reality?

Answer. We have been very successful in attracting women into the professional level jobs having career paths to management in our organization. Almost 40 percent of our professional level jobs are currently held by women. As a government contractor, we are committed to affirmative action planning and all of our policies and hiring practices are free of bias related to sex or age.

Question. The Post Office and Civil Service Committee enacted a policy of part-time/flexi-time work for Federal employees. Also, I participated on a panel with a member of the Traveler's Insurance Company where a similar initiative was undertaken. What results, problems, etc., have you had with such initiatives?

Answer. We have a fully implemented successful flex-time program in our Home Office which permits employees to schedule their daily working hours between 7 a.m. and 5:30 p.m. The program has been very popular with employees and has presented no significant problems for management. We also have an unlimited variety of part-time schedules to accommodate the available time of a sizable part-time workforce. We currently are studying approaches for providing additional options and incentives for part-time employment for retired employees.

Question. While part-time work has often been accused of hurting workers by keeping their wages and benefits down it clearly holds a great deal of promise for the elderly. What steps are you taking to assure that your program doesn't fall victim to those accusations?

Answer. Our part-time work force is compensated based upon job duties and responsibilities at the same rates paid full-time workers for comparable work.

The CHAIRMAN. Our next witness is Dr. Eberhardt Rechtin. Dr. Rechtin has been president and chief executive officer of the Aerospace Corp. since 1977. He has held posts in the U.S. Department of Defense as head of the Advanced Research Projects Agency and Assistant Secretary of Defense for Telecommunications. The Aerospace Corp. serves the defense and civil agencies of Government by applying science and technology to the solution of critical national problems.

Mr. Rechtin, we are grateful to have you here and we welcome your statement.

You all know you can either read your statement or put it in the record and summarize your statement.

STATEMENT OF EBERHARDT RECHTIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE AEROSPACE CORP.

Mr. RECHTIN. Thank you, Mr. Chairman. With your permission, I would like to put my prepared testimony in the record.

The CHAIRMAN. Without objection.

Mr. RECHTIN. Mr. Chairman and members of the Committee, thank you for your most complimentary invitation to appear before you and describe what we are doing about increasing the productivity of our work force.

But, before I begin, I would like to make a comment. Gen. Jimmy Doolittle, as you have just heard, for years was a member of the Aerospace Board of Trustees, was its vice chairman and is a joint hero of the Air Force, Navy, and Aerospace as well as to all the rest of us. He continues to consult Aerospace, not on the problems of aging but what to do in the future.

The CHAIRMAN. That is good.

Mr. RECHTIN. Our company is a California nonprofit corporation, a federally funded Research and Development Center, engaged in engineering for national security programs. Our product is general systems engineering and integration, largely for the U.S. Air Force, and concerned primarily with the satellites and the launch vehicles this country uses for defense purposes. Our primary responsibility is the certification of readiness for launch of these vehicles and spacecraft.

High on the customers' list of capabilities for which they pay Aerospace is "corporate memory," the cumulative experience of

many hundreds of experts over more than 20 years and over 600 satellite launches and operations. It is the long suit of our most experienced people, those over about 50, who began in this space business 20 to 25 years ago.

About 4 years ago we did away with a de facto mandatory retirement age. I say de facto because, although there was no formal requirement that employees leave at 65, there were policies, practices, and incentives built into our retiring at age 65 or sooner. We now have a variety of options presented at regular and popular retirement planning discussion sessions. We hire at any age and pension benefits vest in part after 4 years and completely at 7 years, and for the older people vestment can start as soon as 1 year. Retirees can receive their benefits and work as casuals on a reduced work week as well. Retirees and their spouses are also covered by our health insurance plan—a major financial benefit to them.

As a result, some 2 percent of our entire work force is now made up of people who might otherwise have left the company under previous policies and practices, and there are examples attached. These people have "corporate memory," they have it in spades.

Now, due to the ups and downs in the aerospace industry during the past two decades, and exacerbated by the antitechnology wave between about 1967 and 1977, there are strange anomalies in the distribution of the work force available to the aerospace industry. There are people available from ages 25 to 30, there is a reduced availability between 30 and 40 and then normal numbers from 40 to 50. Worse yet, national projections indicate a serious gap between the supply and demand of graduating engineers in the late 1980's. That means that there is going to be a serious loss of productivity in the aerospace industry in the 1980s. To deal with this projection, Aerospace intends to further develop employment policies which will more fully utilize the experience and knowledge of our older workers.

We have some perceptions about the older workforce which I would like to share with you:

First of all to us, retirement is "not having to work." Retirement does not necessarily mean withdrawing from the work force. Those are two different things.

Second, retirement comes to everyone and it is best for both the individual and the company to plan ahead; an unplanned retirement is a mistake.

Third, the idea that a career consists of a steadily increasing work load, a steady increase in responsibility load and compensation, followed by an abrupt termination is illogical. After all, why should someone have a career ended at its peak? A more rational pattern, we think, is that that peak should be rounded off. This rounding off is probably different for every individual and every job. As has been remarked before, some careers should be rounded off at 25, 45, 65; it is different for everyone. What are needed are options mutually acceptable to employee and the company.

There seems to be good reason not to keep top managers in the same position too long. Management needs refreshing, especially in these times of accelerating changes in both technological and sociological environments. So, we make a practice of reviewing the careers of managers in our company who have been doing the same

job for ten or more years and of considering changes in responsibility and position to improve productivity, but that practice is independent of age.

At the risk of going beyond my area of expertise, I would like to suggest some legislative actions that might improve the situation for older workers. These suggestions come from my own experience as well as that of the Aerospace Corp.

First, the maximum vesting period permitted under qualified pension plans be gradually reduced over a statutorily mandated period to 5 or fewer years. I agreed with the consultant's report to you that said that portable pensions were probably not in the cards, since we tried that in other companies in the aerospace business and it didn't work out, but 90 percent of the problem was vesting. Requiring a long period of service before vesting clearly works against the older retiree-worker on a second career. I note that universities, through the TIAA/CREF plan have essentially solved that problem and employees can move freely from university to university without having to meet new service requirements before vesting.

The CHAIRMAN. My memory is that about 50 percent of the retired workers today are covered under a pension plan while they are working and only about 20 percent actually receive any pension when they retire under the present picture.

Mr. RECHTIN. My experience in the engineering community, Mr. Chairman, is essentially the same as that. I would certainly endorse the proposals before the Select Committee along these lines and I know some of them are already in the works.

I think we need to recognize that "rounding off the peak" of a career is biologically, psychologically, and financially sound. One of the better ways of accommodating this rounding off of the peak is by part-time work and consulting. But present practices and laws do not serve as an incentive for such productive work. For example, social security benefits are decreased if the individual has earnings. Pension benefits in most plans are not paid if the individual works part time, so the individual is forced to consult with other companies than his original employer. Government workers and military people, when retired, are penalized for working elsewhere in the government, it has been called "double dipping." In short, we have all been treating retirement as an abrupt stop to an increasingly compensated career. I believe we could retain years of productive effort if we—the government, the industry, and the individuals—made better provisions for "rounding off the peak."

Thank you again for your invitation. Our company was honored by it.

[The prepared statement of Mr. Rechtin follows:]

PREPARED STATEMENT OF EBERHARDT RECHTIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE AEROSPACE CORP., EL SEGUNDO, CALIF.

Mr. Chairman and members of the Committee, thank you for your most complimentary invitation to appear before you to describe what our Corporation is doing about increasing the productivity of our work force, particularly the older part of it.

Our company is a California nonprofit corporation, a Federally Funded Research and Development Center (FFRDC), engaged in engineering for national security programs. The total staff is about 4,500 people, half of whom are degreed scientists and engineers. We do no manufacturing. Our product is general systems engineering

91-818 O—82——3

and integration, largely for the U.S. Air Force, and concerned primarily with the satellites and the launch vehicles this country uses for defense purposes. Our primary responsibility is the certification of readiness for launch of these vehicles and spacecraft. To accomplish that purpose we engage in research, conceptual design, technical support to national security agencies, technical monitoring of the major associate contractors who build the vehicles and satellites, and analysis of the flight results.

These facts about Aerospace have a direct bearing on how we manage our only real asset—the people of Aerospace. It is the knowledge, experience, imagination, initiative, wisdom and enthusiasm of all of us at Aerospace that each year convinces our customers to continue to rely upon us. High on the customers' list of capabilities for which they pay Aerospace is "corporate memory," the cumulative experience of many hundreds of experts over more than twenty years and over 600 satellite launches and operations. It is the long suit of our most experienced people, those over about 50, who began in this space business 20 to 25 years ago.

It should be no surprise that we have innovative personnel policies and are known in the industry as a "people-oriented company." To do our job well we must be people oriented. In addition to the policies affecting the older part of our work force, which I will address in more detail in a minute, we have compensation generally competitive with industry, exceptional Affirmative Action programs, company-sponsored educational programs, first-of-a-kind transportation programs and celebrations of Heritage Weeks—all aimed at making Aerospace attractive to the people who are our most important asset.

Turning now to the older members of our work force: about four years ago we did away with a de facto mandatory retirement age. I say de facto because, although there was no formal requirement that employees leave at 65, there were policies, practices and incentives built into our employment culture that resulted in employees customarily retiring at age 65 or sooner. We now have a variety of options described in more detail in the attachments. These options are presented at regular and popular retirement planning discusson sessions. We hire at any age and pension benefits vest in part after four years and completely at seven years. Pension benefits are credited as long as the employee is with us. Retirees can receive their benefits and work as casuals on a reduced work week as well. Retirees and their spouses are also covered by our health insurance plan—a major financial benefit to them.

As a result, some 2 percent of our entire work force is now made up of people who might otherwise have left the Company under previous policies and practices. We anticipate the percentage will increase for demographic reasons. More importantly, the older worker-retirees have contributed engineering achievements that far exceeded in value to the company the cost of their salaries. They have "corporate memory" in spades!

Due to the ups and downs in the aerospace industry during the past two decades, and exacerbated by the anti-technology wave between about 1967 and 1977, there are strange anomalies in the distribution of the work force available to the aerospace industry. There are people available from ages 25 to 30, a reduced availability between 30 and 40 and then normal numbers from 40 to 50. Worse yet, national projections indicate a serious gap between the supply and demand of graduating engineers in the late 1980's. To deal with this projection, Aerospace intends to further develop employment policies which will more fully utilize the experience and knowledge of our older workers.

Being an R&D organization, it is natural for us to do R&D on this problem. To that end, we are currently engaged in designing a research project in cooperation with the Andrus Gerontology Center of the University of Southern California. It will investigate the levels of various job-related skills of 200 older and younger Aerospace employees (primarily engineers and scientists) and will research how those skills affect company performance. The results should help us with training programs, job assignments, transfers within the company and changes in job responsibilities in accordance with the strengths of employees, and training programs. We expect this research to improve the effectiveness of the company by enhancing productivity and employee satisfaction.

Another characteristic of our company, generated by the kind of work we do, is the ability to look at tough problems with the kind of emotional detachment. We call it "objectivity," but it is almost a culture with us. So, we have few hesitations in accepting some of the following premises:

Retirement is "not having to work." Retirement does not necessarily mean withdrawing from the work force.

Retirement comes to everyone and it is best for both the individual and the company to plan ahead.

The idea that a career consists of a steadily increasing work load, responsibility load, and compensation, followed by an abrupt termination is illogical. After all, why should someone have a career ended at its peak? A more rational pattern would recognize that the "peak" should be rounded off. This rounding off is probably different for every individual and every job. What are needed are options mutually acceptable to employees and the company.

There seems to be good reason not to keep top managers in the same positions too long. Management needs refreshing, especially in these times of accelerating changes in both technological and sociological environments. So, we make a practice of reviewing the careers of managers in our company who have been doing the same job for 10 or more years and considering changes in responsibility or position to improve productivity. This practice is independent of age.

At the risk of going beyond my area of expertise, I would like to suggest some legislative actions that might improve the situation for older workers. These suggestions come from my own experience as well as that of the Aerospace Corporation.

Further increase the upper limit of IRA and Keogh Plans. At Aerospace as in other nonprofits and universities we are eligible for Section 403(b) for the Internal Revenue Code which allows our employees to have the Company put aside, before tax, part of their income for retirement. It works very well across a broad range of salaries and, as a matter of fact, is a strong attraction for engineers and scientists to Aerospace.

The maximum vesting period permitted under "qualified" pension plans be gradually reduced over a statutorily mandated period to (e.g.) five or fewer years. I was personally disturbed by the Department of Labor report to your Committee that concluded that a 7 percent per year turnover implied that there was no problem in our defense business. 7 percent per year and a 10-year service requirement before vesting means that at least 50 percent of the people in such plans would have no accrued retirement for 10 years of work and a significant fraction will have no useful accrual after a whole career. I agreed with a consultant's report[1] to you that said that portable pensions were probably not in the cards and 90 percent of the problem was vesting. It is true that shorter vesting periods would cost money. Indeed, a principal objection by many companies is the perceived "high costs." If that perception is true, it implies that a major fraction of employees must now be being denied future retirement benefits simply because their careers call for mobility. If the perception is false and the added costs are minimal, then shorter vesting should not be difficult. Requiring a long period of service before vesting clearly works against the older retiree-worker on a second career. I note that universities, through the TIAA/CREF plan, have essentially solved that problem and employees can move freely from university to university without having to meet new service requirements before vesting.

We need to recognize that "rounding off the peak" of a career is biologically, psychologically, and financially sound. One of the better ways of accommodating this rounding off of the peak is by part-time work and consulting. But present practices and laws do not serve as an incentive for such productive work. Social Security benefits are decreased if the individual has earnings. Pension benefits in most plans are not paid if the individual works part time, so the individual is forced to consult with other companies than his original employer. Government workers and military people, when retired, are penalized for working elsewhere in the government ("double dipping"). In short, we have all been treating retirement as an abrupt stop to an increasingly compensated career. I believe we could retain years of productive effort if we—the Government, the industry and the individuals made better provisions for "rounding off the peak."

Thank you again for your invitation. Our company was honored by it.

ATTACHMENTS

1. Importance of Retention of Senior Engineers and Scientists.
2. Older Worker Options at the Aerospace Corporation.
3. Aerospace Retirement Plan Provisions that Contribute to the Retention of Older Workers.
4. Joint Research Project with the USC Andrus Gerontology Center.

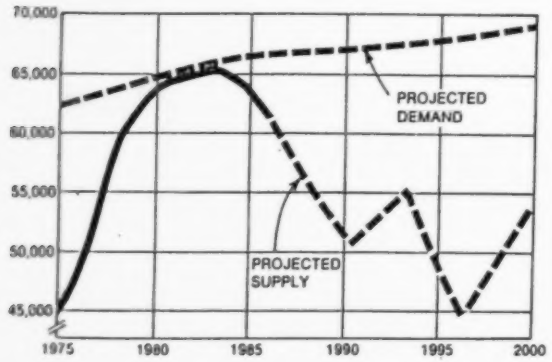
[1] Paper by Frank Cummings presented Apr. 6, 1978, to the Retirement Income and Employment Subcommittee.

ATTACHMENT 1.—IMPORTANCE OF RETENTION OF SENIOR ENGINEERS AND SCIENTISTS

Due to several ups and downs in the Aerospace Industry during the past two decades, there are strange anomalies in the distribution of the present work force. Aerospace is hiring engineers and scientists at all ages, from 23 to 68, but the distribution of the new-hires shows a remarkable division with most new employees being concentrated in age groups from 25 to 30 and 40 to 50. Thus, in the decade ahead, a greater number of experienced workers will reach normal retirement age. There will be a gap in the experienced population from whom the successors would be normally recruited. Furthermore, national projections indicate a serious gap between the supply and demand of graduating engineers in the late 1980's. To deal with this projection, Aerospace feels it is most important that the Company further develop employment policies which will fully utilize the experience and knowledge of our older workers.

A bigger crunch in the near future

PROJECTED SUPPLY & DEMAND OF ENGINEERING GRADUATES



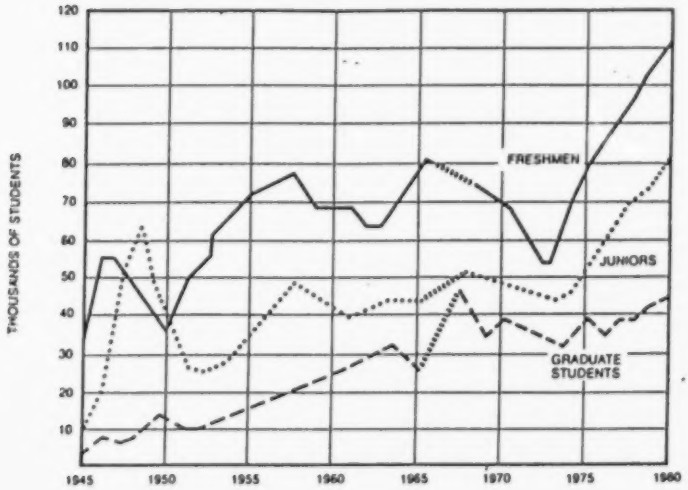
The chart at the left already reflects the imminent end of the baby-boom.

And, the National Center for Educational Statistics has calculated that if the current 1.5 per cent of the population at age 22 continues to earn Bachelor Degrees in Engineering, the number of graduates available in the years 1987-2000 will fall far short of the nation's needs.

This demand, as shown, will reach 70,000 annually by the year 2000, with the projected graduates available at that time not reaching the 55,000 level.

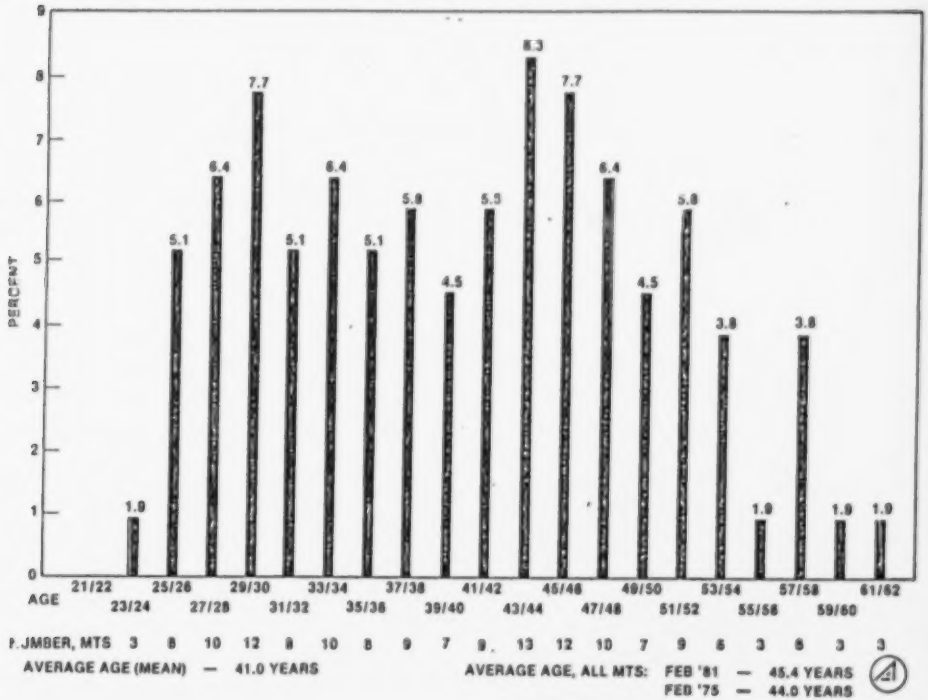
Engineering News Record
April 30, 1981

Engineering Full-Time Enrollments – 1945-1980



A-8642

MTS Age Distribution as Percentage of All Hires — Oct 80 - May 81



ATTACHMENT 2.—OLDER WORKER OPTIONS AT THE AEROSPACE CORPORATION

Aerospace, in conformance with California State law, has no mandatory retirement age. This policy went into effect January 1978. Even though the Company's experience may be considered to be limited (our total population is 4,300 and only four years have passed since the passage of the Federal and State legislation dealing with mandatory retirement ages), we are pleased that now more than 2 percent of our entire workforce are people who might otherwise have left the Company under previous policy limitations. The details are as follows:

I. 47 full-time regular employees are 65 and older.—The 47 full-time employees over age 65 are at all levels, from office workers, shop and service workers, to engineers and scientists. The oldest employee in the Company is 70. He is an excellent engineer and we are proud to say that he was hired by Aerospace when he was 68 year old.

II. 33 Aerospace retirees continue to serve the Company as consultants.—The 33 retirees who continue to serve the Company as consultants are former executives, members of management, administrators, and the Company's technical staff. Their services are used in many ways. A few examples are as follows:

A. Solving technical and engineering problems: In 1980, Aerospace was requested by the Air Force to establish a technical review team for the Atlas E and F boosters currently used for space launches to satellite systems. These boosters were declared surplus by SAC in 1964 and have been used subsequently for flight tests of new reentry systems (ABRES Program) and orbit satellites. Although the boosters have performed quite reliably, with 90 percent success in 70 flights since January 1967, two successive failures during 1980 caused understandable concern about possible aging-out of the equipment. For this reason the Review Team was established.

Much of the work of the Team has been accomplished by three members who are retired former employees. During their employment with Aerospace all three had applicable experience, one responsible for light test operations of the Atlas boosters, another responsible for engine evaluation and refurbishment during the ABRES launches in the 1960's, and the third responsible for booster propulsion on space launches. The latter had also participated in the rocket engine development for Atlas during the late 1950's.

In addition to the technical experience and valuable historical data that these men provide, they also have an unusual objectivity toward the job. Their only concern is with the technical aspects of the program, and they have none of the pressures to justify past history that can sometimes interfere with a dispassionate evaluation of booster failures.

To date, as a result of Team recommendations the Air Force has undertaken an overhaul program of the rocket engines for the final 20 boosters in the inventory. This program is expected to improve reliability of the engines, which were last tested in a hot firing 13 to 17 years ago. With other booster improvements to enhance reliability we expect to maintain an acceptable flight performance. If this is successful, the Air Force will save some $15 million per launch.

B. Training programs: In 1980, the Company had an extensive recruiting program which required that managers interview unprecedented numbers of job applicants. To deal with this problem, a special Employment Interviewing Training Program was designed and implemented by a team of retired managers. These retirees brought to their task their knowledge of the Company's employment policies and practices, years of successful experience as former managers and credibility as competent trainers. Their program improved the selection and interviewing skills of dozens of managers, thereby contributing to the Company's on-going productivity and effectiveness.

In the field of technical training, a retired senior executive is designing and developing a course in aerospace systems engineering which will be followed up with other sophisticated training programs, such as spacecraft engineering. The use of the experience and the expertise of a retiree in this manner not only contributes to the Company's effectiveness, but saves the efforts that would have been required to divert full-time employees from their normal line responsibilities in order to develop and implement this kind of program.

A retiree is also assisting in the development of an Affirmative Action Programs management handbook which will be distributed to all line managers and will enhance the overall effectiveness of management in dealing with Affirmative Action and Equal Opportunity issues.

III. 6 retirees continue to work as casual employees while drawing their pension benefits.—The six retirees who are continuing to work in Casual status are taking advantage of the pension plan improvement which was adopted at the beginning of

1981. They are primarily office shop and service workers and are performing important and meaningful tasks in locations throughout the Company.

IV. 2 retirement age employees are now working on a scheduled part-time basis.—The two part-time employees are retirement age professionals who are reducing their workload in gradual approach to retirement.

ATTACHMENT 3.—AEROSPACE RETIREMENT PLAN PROVISIONS THAT CONTRIBUTE TO THE RETENTION OF OLDER WORKERS

The Aerospace Employees' Retirement Plan is a qualified noncontributory defined benefit plan. Benefits are accrued for each year of service as a percentage of annual earnings and so the benefits in total are based on a career average salary. Under normal employment conditions employees become partially vested after five years of service and fully vested after seven years. However, special vesting provisions are in effect for older workers. Any worker terminated due to a reduction-in-force after age 50 is eligible for an accelerated vesting schedule which is related to both the employee's age and length of service. Partial vesting is available with as little as one year of service and full vesting is given to any employee who is laid off between the ages of 55 and 65. Finally, all employees become fully vested in their retirement benefits at age 65 even though they may not have met the normal service requirements.

As a further accommodation to older workers, the retirement plan does not prohibit participation to employees who are hired at any age. Under ERISA, employers may deny retirement plan participation to employees hired within five years of reaching their retirement plan's stated normal retirement age. In most other companies this means that workers hired after the age of 60 are not permitted to become participants in company-sponsored pension programs. We at Aerospace admit new employees to our plan at all ages.

Another step beyond ERISA's minimum requirements is the Aerospace plan's provision that employees working beyond age 65 may continue to accrue retirement benefits. Many pension plans cease crediting benefits to employees after age 65. We feel that such a practice is unfair and that our older workers should be entitled to continue to earn retirement benefits as long as they remain in the company work force. This permits those who had not accrued reasonable retirement incomes in their lifetime to gain a bit more toward more financial security in their retirement years and it also serves to help us retain the capable older worker on our staff.

Finally, the most recent adopted improvement to the Aerospace Retirement Plan makes it possible for retirees to work on a reduced workweek while continuing to receive their retirement benefits. Starting this year these retirees may be reclassified as Casual employees, which means that their workweek must be less than 20 hours (1,000 hours per year). If employed in that category, they may continue to receive their full pension benefits, while effecting a gradual transition into retirement.

All of these plan revisions have been designed and implemented over the years to give older workers all feasible options for continuing employment as well as a fair share of the employment benefit package. As part of this commitment, the corporation's Retirement Plan Committee includes one member who is a retired employee.

ATTACHMENT 4.—JOINT RESEARCH PROJECT WITH THE USC ANDRUS GERONTOLOGY CENTER

We are highly concerned that we identify and utilize the skills of our employees, whatever their ages, to the best possible advantage. To that end, we are currently engaged in a research project in cooperation with the Andrus Gerontology Center of the University of Southern California. This project is under the direction of Dr. Iseli Krauss at USC and funded by the National Institute of Aging. It will investigate the levels of various job related skills of 200 older and younger Aerospace employees (primarily engineers and scientists) and will research how those skills may impact performance. It is anticipated that from this investigation we will learn more about the relationship of these skills to high levels of performance, perhaps as a function of aging. This should improve our ability to more effectively assign those retirement age employees with good skills who wish to continue working whether or not those skills are ones from previous work. In addition, we hope to be able to better utilize skills of pre-retirement employees by suggesting relevant changes in job responsibilities in accordance with the strengths of employees. Furthermore, training programs can be developed based on the research results which could help close any gap that might be identified between skills and company needs. It is expected that

this research will improve the overall effectiveness of the company by enhancing productivity and employee job satisfaction.

[Mr. Rechtin's answers to the written questions of Representative Mary Rose Oakar follow:]

Question. What are the percentages of men vs. women participants in your retiree programs?

Answer. All employees participate in our retiree program on an equal basis. All employees become participants in the Plan after one year of employment and vest on the same vesting schedule. All employees and their spouses are invited to participate in our Preretirement Planning Workshops. Attendance indicates that there is no difference between the percentage of women employees participating and the percentage of male employees participating.

The percentages of men vs women participants in our retirement plan may be summarized as follows:

	Men		Women	
	Number	Percent	Number	Percent
Retirees from active service [1]	326	66	166	34
All retirees [1]	473	67	229	33
All employees participants in the Aerospace Retirement Plan [1]	2,420	71	995	29
All employees (October 1981)	2,806	69	1,269	31
All employees age 65 and over	32	73	12	27

[1] As of January 1, 1981.

The foregoing indicates that the ratio among male and female retirees (participants in the retiree program) is essentially identical to the respective percentages of men and women in the active work force. The ratio of men and women employees over age 65 is also essentially identical with the corresponding ratio in the work force under age 65.

Question. In clerical and service sector jobs experience is not highly valued; in a program like yours which emphasizes experience are these workers able to participate?

Answer. Aerospace does value the skills of its clerical and service employees. Employees in all occupational groups participate in the retirement program, and on the same basis, regardless of whether they are employed in clerical and service sector jobs or in others. The proportion of service and clerical work to others among retirees is essentially identical to their respective ratios in the active work force.

The provisions for participation in the Aerospace Employees' Retirement Plan are the same for all employee occupational groups. All employees start to participate in the Plan after completing one year of service, i.e., if 1000 hours of service have accrued during the 12 consecutive month period beginning with the employee's date of hire and ending with the first anniversary of that date of hire. The vesting provisions are the same for all employees:

Percentage of accrued retirement income payble

Completed years of service:	*Amount*
First 4 years	0
First 5 years	33⅓
First 6 years	66⅔
First 7 years	100

In the history of the Aerospace employees retirement plan, the proportion of clerical and service workers receiving pension benefits under the plan is, in fact, greater than the percentage of other workers receiving such benefits.

In adddition to regular employees over age 65, some employees continue to work after retirement on a casual basis which permits them to continue to receive their pension beneifts. Although there are fewer than 10 retirees now in that status, the majority of them are women office workers whose experience and competence is valued by the company. Because of their knowledge and skill, they are able to provide necessary occasional services to the Company on a part-time basis after retirement.

Question. In 1978 the average income for older men was almost twice that of older women; twice as many women as men have no pension coverage; in what way have these biases been made more equitable in your retiree program?

Answer. As noted above in response to questions 1 and 2, all employees, men and women, are participating under the Aerospace retirement plan and vest in its benefits on the same basis; the proportion of men to women retirees is the same as their representation in the active work force.

The pension benefit formula of the Aerospace Employees' Retirement Plan has a very low offset integration amount with Social Security benefits; therefore, the pension benefits of lower paid employees are normally a higher percentage of their final salary (and a higher percentage of their preretirement disposable income) than are the benefits of higher paid employees. Also, the Aerospace retirement plan has an earlier vesting schedule than most retirement plans; this is advantageous to women who, historically, have entered, left and reentered the work force more frequently than men.

Question. Unemployment is 33 percent higher for women over forty than for men over forty and 80 percent of women who are employed are concentrated in dead-end, low-paying jobs. What special hiring practices, policies and corporate attitudes does your retiree program have with regard to this reality?

Answer. Aerospace has adopted equal employment opportunity practices pursuant to which individuals are hired without regard to race, color, religion, age, sex, national origin, or handicap. Special affirmative action outreach programs are conducted in the form of women's recruitment symposia, special advertising, etc. As the results are felt within the employee population, the effects of these efforts will be increasingly reflected in our retiree program.

Within Aerospace there are promotional opportunities, job family progressions and procedures for upward movement in all employee categories, men and women participating on an equal basis. During the Affirmative Action report year, July 1, 1980 through June 30, 1981, 1,172 female employees received 275 promotions for a promotional increase rate of 23.5 percent. During the same period, 2,677 males received 309 promotions for a promotional increase rate of 11.5 percent. The population of women in our engineering work force has increased as follows:

In 1975 there were 35 women engineers and scientists at Aerospace representing 2.1 percent of the total technical staff. By 1981, the number had risen to 159 women comprising 7.1 percent of this year's technical staff. Attached is a listing of special recruiting efforts made to recruit women engineers and scientists during the past two years, and a partial listing of the CY 1982 efforts.

Women comprise the majority of the individuals whose graduate engineering education for Master of Science degrees is sponsored and paid for by the Company.

Question. The Post Office & Civil Service Committee enacted a policy of part-time/flexi-time work for Federal employees. Also, I participated on a panel with a member of the Traveler's Insurance Co. where a similar initiative was undertaken. What results, problems, etc., have you had with such initiatives?

Answer. Aerospace has always had a program of utilizing part-time employees and has adopted a modified flexi-time program this year. Part-time employees who have retired from Aerospace, working less than the ERISA 1,000 hour rule, continue to accrue benefits under the Plan. Retired former employees who continue to work, but more than the ERISA 1,000 hour rule, continue to accrue benefits under the Plan. We believe the corporate policies reflected in these provisions provide the opportunity for retirees who wish to do so to continue to work, on a full-time or part-time basis, with a combination of appropriate retirement benefits. On the other hand, it affords the Company the opportunity to utilize the valuable services, on a flexible basis.

Of the Company's 124 part-time employees, 48 percent are women and 52 percent are men.

Question. While part-time work has often been accused of hurting workers by keeping their wages and benefits down it clearly holds a great deal of promise for the elderly. What steps are you taking to assure that your program doesn't fall victim to those accusations?

Answer. Employees nearing the normal retirement age are requested to advise the Company of their plans regarding continued employment. In discussing the individual's plans, part-time employment is considered. If the individual's capabilities and the Company's needs permit it, part-time employment is arranged. In other cases the individual is employed as a "casual" employee, that is, working on an occasional basis for fewer than 20 hours per week. In still other cases, individuals are engaged as consultants.

Attachment.

Women's recruitment events—May 1980 to June 1982

Activity and date:	
The Aerospace Corporation Women's Symposium	May 1980.
Women's Career Conference—New Orleans, La	Aug. 16, 1980.
Purchase University of Texas (El Paso), Society of Women Engineers Resume Book.	Sept. 12, 1980.
Purchase Cornell University, Society of Women Engineers Resume Book.	Sept. 12, 1980.
Purchase University of Hartford, Society of Women Engineers Resume Book.	Oct. 11, 1980.
Purchase University of California—Berkeley, Society of Women Engineers Resume Book.	Oct. 22, 1980.
Purchase Purdue University, Society of Women Engineers Resume Book.	Oct. 30, 1980.
Massachusetts Institute of Technology, Society of Women Engineers Career Fair.	Nov. 2, 1980.
Purchase University of Colorado, Society of Women Engineers Resume Book.	Nov. 18, 1980.
Purchase Columbia University, Society of Women Engineers Resume Book.	Nov. 18, 1980.
Purchase Washington University, Society of Women Engineers Resume Book.	Nov. 18, 1980.
Purchase University of Southern California, Society of Women Engineers Resume Book.	Nov. 18, 1980.
University of Michigan, Society of Women Engineers Banquet.	Dec. 4, 1980.
Purchase Utah State University, Society of Women Engineers Resume Book.	Dec. 4, 1980.
Purchase Northwestern University, Society of Women Engineers Resume Book.	Dec. 12, 1980.
Purchase University of Delaware, Society of Women Engineers Resume Book.	Dec. 22, 1980.
Purchase Georgia Institute of Technology, Society of Women Engineers Resume Book.	Dec. 30, 1980.
University of California—Berkeley Society of Women Engineers Banquet.	Jan. 15, 1981.
University of California—Los Angeles, Society of Women Engineers "Evening with Industry".	Jan. 28, 1981.
Columbia University, Society of Women Engineers Career Dinner.	Feb. 5, 1981.
Kansas State University, Society of Women Engineers Banquet.	Feb. 5, 1981.
Purdue University, Society of Women Engineers Job Fair	Feb. 14, 1981.
Three $100 Cash Awards—Women Engineer Students, Purdue University.	Feb. 15, 1981.
Women in Science Conference—Los Angeles, Calif	Mar. 21, 1981.
Purchase University of Texas (Austin), Society of Women Engineers Resume Book.	Mar. 24, 1981.
California State University, Society of Women Engineers "Evening with Industry".	Apr. 10, 1981.
Magazine Advertisement, "U.S. Woman Engineer"	May 1981.
Woman's Employment Options Conference, Los Angeles	May 30, 1981.
Advertisement for Woman's Employment Options, Conference Program Book.	May 1981.
Advertisement, Society of Women Engineers Program Book.	June 1981.
Magazine Advertisement "Scientific American"	June 1981.
Magazine Advertisement "IEEE Spectrum"	June 1981.
Recruiting Handout—"Four Aerospace Corporation Women Engineers".	June 1981.
Women's Hispanic Career Conference—Los Angeles, Calif.	June 4, 1981.
Society of Women Engineers National Convention, Anaheim, Calif.	June 24 to 27, 1981.
University of Illinois—Women's Career Day	Oct. 27, 1981.
Massachusetts Institute of Technology, Society of Women Engineers Career Day.	Nov. 1, 1981.

University of Michigan, Society of Women Engineers Banquet.	Nov. 12, 1981.
Advertisement La Luz Magazine (Hispanic Women in America).	Dec. 6, 1981.
University of California—Berkeley, Society of Women Engineers "Evening with Industry".	Jan. 21, 1982.
Purdue University, Society of Women Engineers Career Day.	Feb. 14, 1982.
Three $100 Cash Awards—Women Engineering Students, Purdue University.	Feb. 15, 1982.
Society of Women Engineers National Convention, Dearborn, Mich.	June 16 to 20, 1982.

The CHAIRMAN. Doctor, all of us are deeply touched by what you said today. You made a very thorough study of this whole subject and I am glad that one of your position has come to the conclusions that you have. There is nothing to be gained when you stop someone's career right in its prime and terminate it abruptly.

I would like to, with agreement of my colleagues, in order to save the time of the witnesses here, if we will defer questions until we have heard all the members of the panel.

Our next witness is Mr. Eric Knudson. Mr. Knudson is the chairman and chief executive officer of ACS, America, Inc., a New York based company which develops computer software systems for the commercial marketplace. Mr. Knudson also directs his company's wholly-owned subsidiary, Wave III Corp., which develops computer software.

We are pleased to have you, Mr. Knudson. We welcome your statement.

STATEMENT OF ERIC KNUDSON, CHAIRMAN, ACS AMERICA, INC., NEW YORK, N.Y.

Mr. KNUDSON. I thank you, Mr. Chairman. I have submitted my formal statement.

The CHAIRMAN. Without objection, it will be received and carried in full in the record.

Mr. KNUDSON. We appreciate the opportunity to be here today, although in looking at the rest of the companies involved, we are miniscule relative to them and my own qualifications rather pale before the balance of the witnesses.

We are in a little bit different situation than they are—we are a young company in a young industry. We don't have a retirement policy, we don't need one because until very recently the oldest full-time employee we had was 41. The data processing industry itself is extremely young. The first commercial computer was installed in this country in 1954 in General Electric. Other than that it was strictly Government computers. We have not had that problem. We are a small privately held company out of New York with operations in Florida and with a new operation just opening up in Alexandria, Va., in January.

Our function is to write computer software for the general marketplace and packaged proprietary systems.

The CHAIRMAN. What is computer software?

Mr. KNUDSON. It is the set of instructions that tell a computer what to do. Unfortunately, when a computer comes from a manu-

facturer, it is probably the most expensive boat anchor that you could find. Without this specific set of instructions, it won't do a thing. That is what tells it to either do the payroll or be the guidance system for the Columbia. And the same piece of hardware can do both.

We have 40 full-time staff. We also have 100 retirees either actively programing or in training. We did not set this up as a social program. We set it up strictly as an answer to a business need. There is no altruism here at all. There is such a tremendous shortage in the data processing industry of computer software specialists, particularly in the commercial side—we are now looking at between 40,000 and 50,000 jobs that are going begging today that companies would fill all across the country if someone could invent the trained people.

Computer degrees coming out of universities represent between 12,000 and 13,000 graduates a year. It is not even coming close to filling that need. We as a small company needed to do something because with that shortage, all of the data processing industry plays "musical" programers. As soon as you have a project, you go and steal somebody from somebody else and you pay them an extra $3,000 and they move. The average life of a programer in a company today is less than 3 years, and this is from the Fortune 500 on down. We did it strictly to solve an economic problem.

What we wanted to do was buy brain power. And we looked at the retirement community, not from their experience level and not for what they knew in their corporations, but as a good, solid work force that we could use. We literally have hundreds of applications for every 30-man class. We put them through an aptitude test. Computer programing specifically does not require any special educational background or any special experience; it requires logical, deductive thinking; it requires the power of concentration and a willingness to work at it. A truck driver as well as an electrical engineer as well as a former Congressman could program just as well as anyone else going through the training, and that is what we are doing. We are simply using and buying the brain power.

The advantages are very simple. Most of these people have settled down within an area where they are going to live and are not still moving all across the country. They are not trying to do a job so that only looks good on their résumé to keep moving up. They want something to do productive now, something that they have a feeling of satisfaction for.

Although anyone who goes through our training course, which is free, is free to leave us and go anywhere they want; none of them have. We hire all of our own output from our training. We put them to work fully within——

The CHAIRMAN. Do you advertise in the press? How do you get access to these people?

Mr. KNUDSON. Actually, we have not had to advertise. We have had a couple of newspaper articles that appeared in the locals down in Florida. Unfortunately, the Christian Science Monitor picked it up about 6 months ago and ran an article in the Midwest and we now have——

The CHAIRMAN. Where is your place in Florida?

Mr. KNUDSON. It is in Bradenton, just north of Sarasota. And we have had applicants from all over the country, and we have had newspapers that have picked it up from all over the country. We get calls from individuals in Oregon, "Give me the aptitude test. If I pass, I will move."

We set up the program so that the individuals can work as much or as little as they want. The classes themselves run for 3 months; mandatory attendance from 9 to 12 each morning. We do not pay them for the classes. They do not pay us for the classes. Our participants do not ever lay out a cent for this program. Their investment is their time in learning computer programing. We have set up professional facilities and we dedicated the whole computer system down there. In fact, I believe we now have the largest computer in Manatee County and it is strictly dedicated to this group, and the same thing will be in Alexandria, Va. in January.

Now, we do have about a 25- to 35-percent dropout rate. Not everyone is willing to put in the time and effort. But those people who remain have been absolutely delighted.

One of the most interesting things I think we did is that we took photographs of the people taking the aptitude test, the original group, we then took photographs of them at graduation of the course, and you would swear they had lost 5 years in age. Just having to get up, go to work every morning and new social contacts are a benefit. That was another element. We tried to build it around the capability for them to work as much or as little as they wanted. The idea was that maybe they could work halftime and never miss a morning golf game, travel, or anything else they wanted to do.

We set it up on a piecework basis. They work on a contract. Each contract varies from $200 to $500, and it is a relatively short period of time, a matter of days.

Another element that we set up is, we keep the computer running 24 hours a day. We put in dial-in telephone lines—about 10 lines. The individuals, if they want to, can rent a terminal from us, strictly at cost, to put in their home and they can program 24 hours a day, anytime they want to do it.

Now, when we initially started, about two-thirds of the individuals indicated that they would want these home terminals. Now, it has turned out to be only about 25 percent. What happened is, they like the socializing, they are getting back into the social world and seeing the other people at the office every day. It is something, a kind of a return for them.

The program is—we have a minimum age of 55.

Our oldest one to date has been 80 years of age. Average age right now is 63½ to 64.

Mr. DAUB. That is not discrimination?

Mr. KNUDSON. Well——

Mr. DAUB. That sounds too good. You are not letting the younger people into that program.

Mr. KNUDSON. That is true. We are definitely discriminating. We set up a wholly-owned subsidiary to do this because it states right within the corporate charter that its function is to discriminate based upon age. You will find in most States that if the Secretary of State accepts the charter, it is somewhat legal under State law. I

know it is not legal under Federal law. And we are counting on the good graces of this committee and a few of the other people to ignore that fact.

Mr. BIAGGI. You shouldn't have told us.

Mr. KNUDSON. He asked.

The training itself is rather expensive. To do proper data processing we need a full-blown facility. The type of training they are getting is available commercially in the marketplace normally between anywhere from $2,700 to $4,000. You can go to any number of schools in New York City and there are some in Washington and most other major cities. We don't charge them for it because the way we feel is that in New York City, our average recruitment fee for a programmer today is about $5,000. So, our training cost is our recruitment fee. By picking up the training cost, we break even anyway.

Now, we have moved into areas where there is a lower cost of living, so that we are getting a benefit from that but we pay scale for the area. In other words, if a computer programer in Tampa, Fla. is making $18,000 a year, that is the rate that we pay on. We pay, as a matter of fact, $90 a day. We set it up so that by being able to do work on a piece-work basis, we can say this program should take 4 days. The contract is then worth $360. That has been one of our problems because a lot of the younger workers wanted to get in and some of the very experienced programers feel they can make a lot more at this than they could on the other.

The shortage in our industry is so great, that this is not an effort to get cheap labor; it is an effort to get good solid, dependable labor that we need because of the shortage in the industry itself.

I am going to keep this fairly brief, but our experience, I think, is something that many other industries can do, and ultimately if they don't do it, ACS America is going to start doing it in other areas. It has worked out very well. If a company is willing to sit down and take a look at their work environment—I am not talking about changing the work, I am talking about looking at the work environment—you can structure a certain areas where you can break jobs off either into position sharing or into a piecework basis or anything else. I am unhappy that the man from Mutual of Omaha left—I am formerly out of the insurance industry myself—you take a Metropolitan life insurance company that has got 50 claim offices all across the country, I am convinced that we could go in and actually bid on a turnkey basis to run a claim office for them. They have all of the procedures and things are so structured that we could train for it and then run it at about 90 percent of their current cost and make money on it, using all retirees.

A tremendous resource is out there. Right now we are kind of alone in actually going out and searching for this type of person. As a result, we are getting the cream of the crop. And it is really unfortunate, we have been almost hiding from publicity. Every time an article appears we get a thousand more applications.

Our future plans call for opening about ten of these units. We don't feel we can have more than about 120 participants per unit.

So, if we are wildly successful, we will end up with about 1,200 people. We have already had 5,000 or 6,000 applications and we don't advertise. We are running an ad locally because we are

coming into the area for the first time in Alexandria, but up until this point in time we have never paid a cent for advertising.

One of the elements—that if there is going to be a legislative approach to any of this, it has to be directed at the private sector; that is where the jobs are. It has got to be made really worthwhile to the private sector. I am not talking about tax incentives or any other handouts. I think that is the worst possible thing that could be done with this program. But there are a number of elements: one is the earnings limitation on social security. We are already running into serious trouble there. We have already had four of our people meet the $5,500 limit this year. We only really got going this year. Next year it is going to be a considerably more difficult situation.

An individual who works halftime, seriously halftime, now can make between $10,000 and $12,000 a year. That is going to wipe out social security, and we have a number of people who just don't want to do it. It means these people are stopping at $5,500. What that is going to do is double our cost; therefore it means we are going to have twice as many people, twice as many courses. The output per course and per class is going to be roughly one-half of what it is with what we can achieve now. And then it begins to make this type of thing questionable, whether we can do it or not.

I am a very strong proponent of either eliminating that earning limitation altogether, or at least getting it up to at least a $15,000 or $20,000 category.

Another one is the easing of the work-at-home regulations. I know this is not particularly the subject for this committee, but it is something that is very important. With today's data processing capability in communication, teleconferencing, and everything else, you are going to find literally thousands and thousands of jobs across this country not specifically having anything to do with the data processing industry itself that can be done from the home, that can be done outside the office. Very recently, I forgot whether it was New Hampshire or Vermont, I've heard of a situation with women employed to knit ski caps. It took a 2-year court fight to ease off those regulations so that the people could do that work in their homes. And then they only released the regulation on that specific type of knitting, not on anything else.

Cottage industry is coming. Cottage industry is going to be one of the biggest things for putting the retirees back to work. A combination of transportation, of inclement or bad weather, a combination of certain opportunities that may not be within 5 miles of your house but maybe 15 miles from your house, and if you only have to go to the actual job once every 2 weeks and you can do the balance at home, it is going to become a very, very important element of it.

Another item for the insurance industry is that I think there should be definite distinction between working and nonworking retirees. I think if someone were to work up the morbidity tables within the insurance industry and the health tables, you will find that an individual who is working 15 hours a week will have a considerably better health record than those who don't.

Those companies that don't want to go out and set up a whole subsidiary corporation the way we had to here, with one whole

91-818 O—82——4

function in it, get penalized very heavily in health care and the cost of adding to group insurance.

Normally at age 65 medicare takes over and the insurance industry just coordinates or drops it. Our experience, our entire participant staff's average age is between 63 and 64. So, it is not at the 65 level yet.

I thank you very much.

[The prepared statement of Mr. Knudson follows:]

PREPARED STATEMENT OF ERIC KNUDSON, ACS AMERICA, INC., NEW YORK, N.Y.

ACS America, with its wholly owned subsidiary, Wave III Corporation, is a computer software development company that utilizes computer professionals to design and market computer software and members of the retirement community to write its computer programs. We are a small privately held company with approximately 40 professional staff and nearly 100 trained (or in training) senior citizen programmers employed on a piece work basis.

It must be made quite clear from the beginning that this is not a social program. There is no altruistic purpose behind the project's formation. We are simply putting to good business purposes an economic resource that until now has been primarily ignored. The fact that a considerable amount of benefit, both economically and through self-esteem, accrue to those retirees who actively and successfully participate in the program is a happy circumstance, but not the purpose of the program.

We are not claiming that retirees in general, or even half of them, are capable or willing to do what we specifically require. Without getting overly involved in statistics, most people would accept that perhaps one in a hundred would be willing, capable, and eager to attempt such an undertaking. With roughly 11 percent of our population in retiree status, one percent of that figure is roughly 250,000 people. The total U.S. data processing work force of programmers, systems analysts, management, and specialists has only 600,000 members.

The second, and probably most important reason to use this resource, is the attitude of the retirees themselves. Having worked a great portion of their lives, most of them had achieved levels of responsibility and competency before they retired which provided considerable self-satisfaction. Now, having spent one or more years in retirement, the thrill of the freedom and relaxed environment has begun to wear off and that old feeling of satisfaction is sorely missed. This is not just being busy, but a sense of achievement and the feeling of being productive.

We are providing them the opportunity to perform meaningful challenging work and to get paid for it. Many of the participants who pass our screening procedures will not need the money to live, but with today's economy it will provide sufficient additional funding to allow for a much fuller and enjoyable retirement. For some, it will mean the difference between existing and living.

Finally, this work force provides a definite advantage over that of today's commercial computer programmers. There is not the perpetual pressure for career advancement or to work only on the latest hardware or techniques because it "looks good on a resume".

The retirement work force should be steady and cohesive, and, having experience with this group, we are now able to make system development estimates with much greater accuracy and effectiveness.

What makes commercial computer programming lend itself to our enterprise is that it does not require extensive prior training. In fact, only about one out of four of today's commercial programmers had any prior data processing training before entering the industry. Success in this field requires basic intelligence, an aptitude for logical and deductive reasoning, and an ability to concentrate and to follow instructions. These abilities combined with a willingness to work will generally bring success in commercial programming, regardless of the individual's prior background or education.

The selection criteria for the participants is rigorous. They have to pass a professionally prepared programming and aptitude test. There is some form of medical opinion required stating that the participant is capable of taking part in the program. Once selected for the program, they are enrolled in regularly scheduled training classes, run by computer professionals. There is no charge to the participants for this training and they are not compensated for it.

Even with the careful screening process and professional training, we expect a 25 to 35 percent "drop-out" rate per participant group. Thus, for each group of thirty

(the anticipated training class size) we should end up with between 19 and 21 solid work participants. Having stated that the participants are treated strictly in a businesslike fashion and not as members of a social group, it must also be kept in mind that the whole enterprise is dependent upon the success of these participant groups learning and performing computer programming to commercial standards. To assist them in this effort we provide certain additional services for them, both during and after the training period:

1. In addition to the primary instructor, we always have a full-time "super" programmer/analyst and additional programmers (at a ratio of about one programmer to each ten participants) on staff that are to be available for questions and assistance on a daily basis.

2. The office is open 10 hours a day to make allowances for most schedules. In addition, the computer system itself runs 24 hours a day, seven days a week for "dial up" purposes. There are at least 10 dial-in ports on the computer for use with remote terminals in the participants' homes.

3. The company maintains a station wagon for participants with ambulatory problems (if any) and for those who occasionally cannot arrange their own transportation.

4. Working participants are able to "drop in" on any subsequent training session for a review course on a particular subject.

5. For those participants who lack manual dexterity or simply cannot become adequately familiar with a computer terminal keyboard, we have clerical staff available for direct entry of the program code they have written. This service is to be "charged" to the participant by the reduction of the total job price by 5 percent.

All proprietary project work is supplied by ACS America, Inc. ACS prepares detailed system and programming specifications and provides estimated completion times for each program element, thereby establishing the "piece work price" for each task. The estimated completion times (and the per diem payments) are based upon a reasonably trained programmer with about two years work experience. The participant "work contract" will use a multiplier factor of four as a time limit for completion of the task. It is expected that these time limits should easily be met by the participants and, in most cases, are cut in half. The time frames established are of sufficient length to allow the beginner to complete the task and the more experienced to complete it leisurely. If participants desire to take some time off or to go away on a trip, they simply do not take a contract for that period.

About a year after commencing operations in Bradenton, the company will begin opening several new offices around the country. As with the first, most of these offices will be located near major retirement communities in states such as Florida, Arizona, California, and near the more heavily populated communities in the North. The first new center will be located in Alexandria, Virginia and will commence operations in the first week of January, 1982.

Once the viability of this plan is demonstrated, the potential for its application and growth is almost unlimited. Training classes can be held at night to permit those who are about to retire (but don't really wish to) and those who are currently underemployed to join the program without a period of loss of income. Widows, housewives, shut-ins, and the handicapped can further expand the participant roles. The functions trained for and performed can be expanded into several areas beyond computer programming.

Working with and training retirees is not a simple task. It takes patience, planning, and a definite willingness to adjust the work environment. It must be stressed here, the adjustment is to the work environment, not the work. The prospective employer must be willing to review the work, not in the traditional job sense, but in light of the base task elements to be performed. This is necessary to redefine positions so that they may effectively be handled on part-time, job sharing, or piecework basis. If this is done carefully and with a little imagination we believe that about 75% of all white collar work and about 25% of traditionally blue collar work can be arranged into tasks of this nature.

The experience in working with this group of potential employees that we have gained in Wave III has been primarily at one end of the spectrum. The position of computer programmer requires a certain aptitude, fair intelligence, considerable training, and rather expensive equipment to work with. Assuming a successful reemployment program in this country over the next five years it will probably be discovered that computer programming has one of the most expensive and time consuming start-up phases of any of the major occupation categories included in such a program—and yet ACS America, a small privately held company, and make money at it. We believe that we will be running a profit on the entire program within two

years of its inception. Other industries and other occupations with lesser training and start-up costs could produce an overall profitability in a matter of months.

To put these people to work in any serious numbers it must be done through the private sector; and for the private sector to do it, it must be to their advantage. I am not talking about subsidies, cash payments, or tax benefits to industry for pursuing such employment practices. In general, such programs work only as long as government funds are continually applied. If legislative is to be taken it should be in the form of creating an environment that is conducive to the private sector acting on its own. Some of these areas are:

1. Allow for the coordination of normal company group insurance and Medicare and Medicaid plans. The normal cost of adding a 60+ year old employee to a mandatory commercial group insurance plan is excessive. If group insurers would review the health histories of working vs. non-working senior citizens, I believe there would be a substantial reduction in rates for those who are working, thus reducing the penalty to the employer hiring an older worker.

2. Remove the "earnings limitation" on Social Security payments, or at least raise it to a high enough level so that it does not discourage this age group from working to a reasonable level. A $15,000 limit, for example, would satisfy about 75 percent of the Wave III participants in this regard.

3. Discourage pension plans in both the private and public sectors in which pension payments are reduced or eliminated if the pensioner works after retirement.

4. Ease the labor regulations against working in the home. Much of the type of work for which retirees are qualified can be done at home just as well as in an office. Ability to work at home solves many of the problems of the elderly worker including bad weather, lack of transportation, and certain ambulatory and medical problems. It also permits them to work for companies not in the immediate area in which the worker lives. The easing of these regulations can be accomplished and still retain most of the protections against the abuses for which these regulations were originally intended.

5. A more difficult task, but one definitely worth pursuing, is the prorating of unemployment and other such taxes on employers for jobs that are "shared". This duplication of costs on the employer is a major factor in limiting the spread of "job-sharing".

[Mr. Knudson's answers to the written questions of Representative Mary Rose Oakar follow:]

Question. What are the percentages of men vs. women participants in your retiree program?

Answer. Our participant population runs 75 to 80 percent male.

Question. In clerical and service sector jobs, experience is not highly valued; in a program like yours which emphasizes experience, are these workers able to participate?

Answer. On the initial screening for aptitude testing we generally look for a prior work experience that involved logical thought processes and/or a power of concentration. The programming aptitude test scores are the final deciding factor for selection in the program.

Question. In 1978 the average income for older men was almost twice that of older women; twice as many women as men have no pension coverage; in what way have these biases been made more equitable in your retiree program?

Answer. Men and women are paid at the same rate. Our program has no pension coverage.

Question. Unemployment is 33 percent higher for women over forty than for men over forty, and 80 percent of women who are employed are concentrated in dead-end, low-paying jobs. What special hiring practices, policies and corporate attitudes does your retiree program have with regard to this reality?

Answer. None.

Question. The Post Office and Civil Service Committee enacted a policy of part-time/flexi-time work for Federal employees. Also, I participated on a panel with a member of the Traveler's Insurance Co. where a similar initiative was undertaken. What results, problems etc. have you had with such initiatives?

Answer. The entire program is based upon the participants working as much or as little as they wish. Under this plan, we have discovered that they do not, on average, put in as much time as we would like.

Question. While part-time work has often been accused of hurting workers by keeping their wages and benefits down, it clearly holds a great deal of promise for the elderly. What steps are you taking to assure that your program doesn't fall victim to those accusations?

Answer. We pay the exact same rate for either full-time or part-time work.

The CHAIRMAN. Mr. Knudson, we thank you. All of us who have heard you, all of you gentlemen we have heard already, and I am sure the same feeling will relate to the others, should realize that we have a new hope for the future of the older people of this country when we see such an expression of understanding and cooperation as it comes from you and from Dr. Rechtin. And I think all of us who heard you, including your business colleagues, will agree that if you call yourself small now, you won't stay small very long.

Thank you very much.

Now, Mr. Robert Bradshaw, our next witness, serves as secretary for the Grumman Corp., the parent company for several subsidiaries, including Grumman Aerospace. Grumman Corp., and its subsidiaries manufacture military aircraft, aircraft systems, seacraft and spacecraft as well as computer software, solar and wind energy systems, and urban transport systems. One of the meaningful companies of our country. We are pleased to have you, Mr. Bradshaw. We welcome your statement.

STATEMENT OF ROBERT W. BRADSHAW, SECRETARY AND DIRECTOR OF PERSONNEL, GRUMMAN CORP., BETHPAGE, N.Y.

Mr. BRADSHAW. Thank you very much. I indeed appreciate the opportunity to be here and particularly in this room——

The CHAIRMAN. Excuse me just a minute. Mr. Shamansky wishes to say something.

Mr. SHAMANSKY. Thank you, Mr. Chairman. I just wanted to note that one of the subsidiaries of Grumman Corp. is located in Delaware, Ohio; it is Grumman Flexible Corp. I have had direct contact with it. I have been through the plant and it is a very good corporate neighbor. We are very lucky to have you in the 12th Congressional District of Ohio. I welcome you on my own personal basis.

I would like to note one other thing, Mr. Chairman. The Federal Trade Commission has just filed a legal action to prevent the takeover, the unfriendly takeover, of Grumman Corp. I think that makes it especially of interest to me and I think to all of us as to how to keep these good corporate citizens alive and independent.

Mr. BIAGGI. Would the gentleman yield?

Mr. SHAMANSKY. Yes.

Mr. BIAGGI. I am glad you recognize they have an annex of Grumman within your State. We are privileged to have them in the State of New York, and the entire New York delegation has been unified in that score. It is more than a corporation; it is a family that has grown into a major corporation. It is that very spirit that will be instrumental, I believe, in the event the LTV continues in its efforts to take over. We greatly resist the takeover, oppose it because the employees have a considerable portion of that stock.

I was impressed by your interviews on television, and it is consistent with my understanding of the relationship between the employees and Grumman.

The CHAIRMAN. Thank you, Mr. Shamansky and Mr. Biaggi.

Mr. Bradshaw, I don't mean to ask you any secrets of things of classified character, is your company working on some means by which to intercept missiles as a way of defense as part of our defense?

Mr. BRADSHAW. Yes, Mr. Chairman.

The CHAIRMAN. Thank you very much. We welcome your statement, Mr. Bradshaw.

Mr. BRADSHAW. Thank you and thank you very much, Congressmen, for your support. We appreciate it.

I was about to remark that we are very comfortable here in this room with what is perhaps the least attractive transportation vehicle ever designed prominently displayed above you there. We take great pride in that.

If I may, I would like to have my formal remarks submitted for the record.

The CHAIRMAN. They will be received in the record in full.

Mr. BRADSHAW. Thank you. I'll just touch a couple of high spots here.

Like most large companies we feel the need to have a policy in this area on something that is fairly clear in its terms. We work pretty hard in communicating it and, indeed, implementing it, in ways which suggest to people we mean it.

We prominently feature these attitudes in our training programs as we rate our supervisors and managers. We take some pains to make it clear to them this is one area where their performance is indeed watched very carefully and it has a profound effect on what might happen to them in terms of compensation and promotion.

But beyond that, perhaps reflecting the kind comments of the Congressman, we do think of ourselves as a family. We have a long tradition of honoring our employees that have been there for a while. Each year we gather about 4,000 of them for a luncheon, typically in early December, on which occasion the new members of the 25-Year Club are inducted and given watches. It is something we all look forward to. Indeed, it is sometimes felt if you don't have a full 25 years in, you are still on probation in our company.

We try to set a tone. We try as a personnel function to be proactive in this regard. We do, indeed, have free access to the CEO. The only problem with that is that he has equally free access to us. We accept that as a quid pro quo.

We try to design an environment which reflects the care we have for virtually all of our people. I wanted to touch a little bit on the business of rehiring retirees, that has been mentioned before here this morning. We have been doing it since 1973, with astonishingly good results. I can't think of any better labor force in terms of their immediate productivity. There is no problem in indoctrinating these individuals; they know the score just as well as we do and they are immediately productive when they come back. It is awfully nice, as often happens, when a supervisor of a former employee will specifically request that person by name, "I want Joe back, or I want Jane back." That is marvelous for one's self esteem. And indeed there is a lot of that going on.

We also have many retirees who have no interest in returning even on a part-time or temporary basis. Our most prominent exam-

ple of that is the fellow that is currently president of our retiree club, some 3,000 members strong. He has been given frequent opportunities to come back on a temporary basis and declines saying that he has worked enough, he doesn't want to do any more. That is what he says. The truth of the matter is, he is working harder than he ever did as president of the retiree club; hard pressed to find the time to give to Grumman anymore.

We experienced the same difficulties described by the distinguished panelist on my left in the area of computer applications. Those of us that are in the high technology business face this every day. One of the more gratifying efforts we have mounted has to do with taking engineers that graduated from school 20 or 30 or 40 years ago at a time when computers were not even dreamed of, introducing them through formal training programs to this wonderful world. It takes a little encouragement. It is a bit intimidating for someone who hasn't been around as these things grew up. But once over that hurdle, a whole new world opens up for these people and you see them come alive at the possibilities of using these marvelous devices. It is something very personal going on inside those people that is just marvelous to witness.

There are several other areas where we have taken people at a down point in the aerospace industry and retrained them for other careers—environmental engineering being one, electrical power engineering being another. These are fairly formal programs where people's career in midstream were redirected and with very positive results.

We also put a fair amount of energy and thought into the problems of women reentering the work force after some years of having raised a family. Typically this individual was employed as a secretary, had married, had children, raised a family, now coming back into the work force and very often back into a secretarial position. Quite frankly, many of these fine women are capable of more challenging work. We put them into programs which broaden their horizons and which provide some training opportunities to move into positions as administrators, buyers in the purchasing department, software programers, and try to open up their futures for them in meaningful ways. This is not directly geared at the problem of the older worker, but as a practical matter it works out that way. And we have been very happy with the results of it.

We do, indeed, do periodic attitude surveys amongst our employees and we are looking for evidence of some discrimination, there might be some hint coming in from our younger employees who are asking how many decades do you have to be around here before you are considered for promotion. So, indeed, we address that as well. And we monitor our work force in terms of its age by skill category so we can indeed design our training efforts to meet those particular needs.

This is the kind of thing we do thinking of ourselves as a family. We have over 50 years in the making of that family and we like most families have a great deal of respect for the older family members. We think, and I hope you do, that we are being helpful in terms of the growth in employment of older workers and wait until we, ourselves, get a little bit older and it will be even better.

Thank you for the opportunity to make these remarks.

[The prepared statement of Mr. Bradshaw follows:]

PREPARED STATEMENT OF ROBERT W. BRADSHAW, SECRETARY AND DIRECTOR OF PERSONNEL, GRUMMAN CORP., BETHPAGE, N.Y.

THE MIDDLE AGED AND OLDER WORKER—POLICY

If discrimination because of age is to be avoided, a clear policy opposing it must be part of the company's overall commitment to equal employment opportunity. This is the case at Grumman. Top management fully endorses this policy and supports its implementation throughout the company.

Beyond articulation of a policy, however, it is essential to communicate it to every employee. This is done at Grumman through its various employee publications, through general employee handbooks as well as supervisor's manuals. The company's policy of not discriminating because of age is inculcated in management training programs and is a criterion in all performance appraisals, particularly for managers and supervisors. Furthermore, the chief executives of the company personally attend and actively participate in pin presentations where service awards are given to employees.

ATTITUDE

The position of top management vis-a-vis discrimination for any reason but in particular because of age, will set the tone for the rest of the company and is the first step to establishing an attitude of openness, acceptance and support for individuals in an affected group. At Grumman, a healthy attitude is fostered through a very active and involved Personnel Department which has ready access to top management, as well as full acceptance by all employees.

ENVIRONMENT

When company policy is supported by healthy attitudes on the part of management and employees alike, an environment is created in which discrimination cannot flourish. The environment at Grumman is one of belonging, of sharing, of caring. The pride which pervades the company not only extends to quality products but to the quality of the people who design and produce them. It is this environment at Grumman which militates against discrimination based on age or any other condition.

PROGRAMS

Healthy attitudes and a healthy environment can be sustained only if company policies are understood and effectively implemented in day-to-day programs. Grumman has had and continues to have forward looking, versatile and sensitive programs designed to assist members of affected groups including the middle aged and older worker. In most programs, age is not indicated as a condition for a position or a promotion, just as race and sex may not be admitted as qualifying or non-qualifying factors. However, the nature of the programs in many instances may be favorable to employees at a particular age.

The following inventory of past and present programs is not exhaustive. It merely illustrates the type of program Grumman has employed to prevent discrimination for any reason and to promote the growth of its employees regardless of race, creed, age, etc.

REHIRED RETIREES

Grumman conducts an effective program to rehire retired Grumman employees who are interested in returning to the work force on a part-time or full-time basis. Such employees are returned to the payroll as job shoppers. No age limit or qualification is attached to this program. Generally, these employees are age 55 and up. All are on Grumman pensions. Some are over 70 years of age.

Retirees are recruited for this program in several ways:

(1) In many cases, the using department will request an individual by name.

(2) The Director of Personnel may send a letter (periodically) to all retirees asking if they are interested in coming back to work.

(3) Information on job opportunities for retired employees is conveyed to, and through, Grumman's very active retiree's club.

Work schedules for retirees who return to work are variable and flexible. These schedules are determined in collaboration with the using department and are a co-

ordination of departmental needs and the retiree's interests and abilities. some retirees return to full-time work on a temporary basis, generally not more than a year. Some work part time. Often the length of employment in a given year is regulated by the amount of money a retiree can earn and still be entitled to an unreduced social security benefit.

A wide range of skills is represented in the retirees who return to work, including engineers, inspectors, mechanics, machinists, security guards, buyers, writers and editors. Apart from the appeal which this program has for retirees interested in returning to work, it has many advantages for the company. Returning retirees are immediately productive; they require no orientation or training period, no break-in time. The experience of the retiree is again available to the company at large and, in particular, to younger workers. The presence in the work force of experienced, enthusiastic and productive older workers (the rehired retiree) is a most effective antidote to prejudice or discrimination based on age.

MID-CAREER TRAINING PROGRAMS

The Career Education and Development Department at Grumman conducts many courses which are designed to update basic engineering, management and mechanical skills of the worker whose formal education ended many years in the past. These courses are especially helpful to older workers who completed their formal education before the age of the computer. They enable engineers and technicians alike to catch up and keep up with the state of their art in a rapidly changing and competitive environment. While no age limit or qualification is attached to these courses, they are favorable to the middle aged and older worker.

From time to time, Grumman collaborates with outside agencies and institutions in programs established to help the older worker. In 1972, Grumman Aerospace Training Center initiated a program under a contract funded by the New York State Education Department to retrain selected, unemployed Aerospace engineers to work in the field of environmental engineering.

In 1973, the Grumman Training Center, in cooperation with Pratt Institute conducted a career conversion education program in Electrical Power Engineering under a contract authorized and funded by the New York State Education Department. The program was designed to prepare selected unemployed or underemployed engineers to work in the fields of Electrical Power Engineering, an occupational area of high demand at that time. Three of the courses included in the program carried graduate credit toward a Master's Degree at Pratt Institute.

In 1974, the Grumman Aerospace Corporation, working with the State University of New York at Stony Brook initiated a three year M.S. program leading to a degree of Master of Science in Computer Engineering and Science. This program delivered formal graduate education in a rapidly advancing technology to engineers who otherwise were facing the increasing obsolescence of their skills.

Grumman also provides a great diversity of training programs designed to help employees develop within their particular skill or in other functions. Among the Management Development Courses which are particularly helpful to middle aged workers are two programs for women: the Professional Awareness Workshop and the Women's Responsibility Training Center. While no age is specified as a condition for participation in these programs, many women who have returned to the workforce after raising a family find them especially helpful. They exemplify the diversity of the company's efforts and the integrity of its commitment to the prevention of discrimination and the promotion of people because of merit and performance, regardless of age.

The Professional Awareness Workshop is particularly useful for women who are trying to redefine career goals and career paths after absence from the workforce for some years. The Women's Responsibility Training Center provides an opportunity for on-the-job learning through hands-on experience of various functions and in various departments. Participants who have a full-time job in a particular department spend two days each week in other areas of their responsibility center. They learn by doing the other jobs which are available. They become acquainted with other workers as well as with other disciplines and skills. Twice a month they participate in seminars designed to help them assess their capability and define their career goals. Programs of this type are effective in overcoming prejudice by bringing people together in helping situations.

At Grumman, our survey of employee attitudes indicates that in a company where the average age of an employee is 45 plus, the young may perceive discrimination as readily as the middle aged or older worker. A New Graduate program is helpful in integrating the young employee into the company. A cooperative program

with the Board of Cooperative Education Services brings together older experienced aircraft mechanics and young students in an apprentice environment which helps to bridge the gap between the generations and lessens the likelihood of prejudice or discrimination. People are brought together in a situation where performance and skill are important rather than age, sex, race or any other condition.

JOB EXCHANGE SERVICE

Grumman also participates in community programs to help older workers find employment. In conjunction with the Department of Senior Citizens Affairs of Nassau County, the company is actively involved in the Ability is Ageless Job Fair conducted to provide free employment services to individuals 55 or over who are seeking full or part-time work.

WORKFORCE ANALYSIS BY AGE

Each year, Grumman conducts an analysis of the workforce by age, following the EEO-1 categories. National Workforce Statistics and Department of Labor Employment and Earnings Charts are used for comparison purposes. The Workforce Analysis provides a tool for monitoring the distribution of the workforce by age. Information contained in it is helpful in estimating employee needs for training and in designing programs to prevent discrimination based on age.

EMPLOYEE ATTITUDE AND BEHAVIOR SURVEY

The company also conducts from time to time comprehensive survey of employee attitudes and behavior. The survey makes available the experience and perceptions of the employees themselves on such topics as discrimination, working conditions, opportunities for development, etc. These perceptions are analyzed carefully by the Personnel Department and become the basis for new programs to foster the development of the workforce regardless of age.

TRADITION

When policies which oppose discrimination because of age are effectively implemented through practical and versatile programs, openness and assistance to others regardless of age become a family tradition. For more than fifty years now this has been the Grumman way of doing things and of dealing with people. The Personnel Department constantly audits company policy and practices to assure equal employment opportunity for all. Research into new ways of helping the older worker is carried on constantly. Under investigation at the present time is a program of phased retirement which would provide more flexiblity for the older worker who may be considering retirement. A Pre-Retirement Planning Program is conducted each year so that no employee will feel compelled to a premature or uninformed decision to leave the workforce.

[Mr. Bradshaw's answers to the written questions of Representative Mary Rose Oakar follow:]

Question. What are the percentages of men vs. women participants in your retiree program?

Answer. Six percent of the participants are women, which is roughly equivalent to their 7 percent representation among our total retiree population. The Grumman retiree population in 1981 represented workers who, on the average, began working 30 or 40 years ago. At that time there were fewer women in the engineering and manufacturing workforce than there are today.

Question. In clerical and service sector jobs, experience is not highly valued; in a program like yours which emphasizes experience, are these workers able to participate?

Answer. Grumman's program of rehiring retired persons includes the entire range of jobs available in the company including clerical, service sector and unskilled jobs requiring no special experience. Since the program is designed specifically for retired Grumman workers, every applicant has some skill and some experience developed in the course of his or her working life. This experience is valued by the company and is put to use in the rehiring of retiree. As a result, clerical and service sector workers are able to participate in the program.

Question. In 1978 the average income for older men was almost twice that of older women; twice as many women as men have no pension coverage; in what way have these biases been made more equitable in your retiree program?

Answer. At Grumman, the salary administration program is designed and implemented in an objective fashion free from any bias based on race, sex or age. Salary ranges are determined based on the specifications and responsibilities of the position and merit raises are accorded in relation to performance. Likewise the Grumman pension plan is the same for all employees regardless of sex, age or race. The same principle and the same formulas are applied to men and women in this regard. In addition, Grumman has many programs (see Testimony before Select Committee on Aging) which are designed to help older women who may experience disadvantages when returning to the workforce after raising a family. The Women's Responsibility Center and the Professional Awareness Workshop in particular, encourage and enable women to do more than "come back" to their original jobs. They are given the opportunity to enter new areas and are assisted in assessing positively their true potential and worth as persons and as workers. Women are particularly encouraged through Grumman's affirmative action programs to aspire to management positions and appropriate courses and workshops are available to equip them for these extended responsibilities.

Question. Unemployment is 32 percent higher for women over forty than for men over forty, and 80 percent of women who are employed are concentrated in dead-end, low-paying jobs. What special hiring practices, policies and corporate attitudes does your retiree program have with regard to this reality?

Answer. Grumman has various programs in place to promote the development of its workers. Several are designed specifically for women. The Professional Awareness Workshop is an on-going program to help women re-define career goals and career paths after absence from the workshop for some years. The Women's Responsibility Training Center provides on-the-job learning experiences which open up new areas of interest to women. These programs are coordinated with other courses in the Training Department which provide women with the additional instruction they may require to advance in their chosen field. As a result of these programs, women retirees have a richer experience and more diversified skills than in the past. In addition, Grumman cooperates with neighboring universities to provide field assignment and apprentice opportunities for women who are enrolled in business oriented courses.

Question. The Post Office & Civil Service Committee enacted a policy of part-time/flexi-time work for Federal employees. Also, I participated on a panel with a member of the Traveler's Insurance Co. where a similar initiative was undertaken. What results, problems, etc., have you had with such initiatives?

Answer. Part-time work programs at Grumman whether for retirees or workers generally are quite successful. They involve the coordination of company needs for supplementary help and an individual's wish to limit the extent of employment. Where retired persons are concerned, part-time work is particularly free of problems since the retiree is quite familiar with the company and the hiring department knows the retiree. Flexibility of schedule and work time are arranged to mesh the department's requirements and the retiree's availability.

Question. While part-time work has often been accused of hurting workers by keeping their wages and benefits down, it clearly holds a great deal of promise for the elderly. What steps are you taking to assure that your program doesn't fall victim to those accusations?

Answer. The Grumman program to rehire retirees is designed to protect the worker's earning power and his or her benefits as a pensioner. Rehired retirees return to their jobs at the same or a higher rate than they earned before they retired. In addition, Grumman is preparing a program of phased retirement to further assist the worker who is planning to retire. This program is designed to protect the worker's income, benefits and sense of personal worth while the transition to full retirement is being made.

The CHAIRMAN. Thank you very much, Mr. Bradshaw, for your excellent statement.

Some months ago I was down in Florida at a reception one evening and a very fine looking gentleman walked up to me and said, "Mr. Pepper, I don't like something that you have done." I said, "I am sure you are not alone." He said:

I am with one of the big companies of the country and I am 63 years old, I am the president, and they are going to retire me when I get to be 65 and I don't want to be retired. I don't have the protection of your Committee's bill and the Mandatory Retirement bill that we got through in 1978 because I would get a pension in excess of

$27,000 when I retire and your amendment—that we had to accept—if you had that much of a pension, you can be mandatorily retired at 65.

I said:

It heartens me immensely that a top executive in your position feels that way about it. I hope more executives will feel the same way, that there will be ways made so people won't be forced to retire—some having to retire right in the bloom of their greatest achievement.

Thank you very much.

Now we will hear from Mr. Robert Beavers who is the senior vice president of McDonald's Corp., the well-known fast-food chain. Mr. Beavers also manages a 13-State area containing 1,100 stores grossing $1 billion in sales. McDonald's is an international company with 6,000 stores in almost 30 countries, annually grossing $6 billion in total sales.

STATEMENT OF ROBERT M. BEAVERS, SENIOR VICE PRESIDENT, McDONALD'S CORP.

Mr. BEAVERS. Mr. Chairman and members of the committee, it is a privilege to appear before the committee today to discuss McDonald's commitment to and experience with older workers.

I would like to say that I have a formal statement that I have submitted.

The CHAIRMAN. The statement will be received in its entirety and inserted in the record.

Mr. BEAVERS. I would like to deviate a little from the body of that statement.

McDonald's Corp. licenses and operates a system of 6,500 fast food restaurants in 30 countries. More than 5,400 of these restaurants are located in the United States and 75 percent of these domestic units are operated by independent businesspeople; the remaining 25 percent are operated by the corporation. The combination of franchised owner-operators and aggressive McDonald's field management has created a dynamic business environment in which we can produce a wide range of ideas and innovation in many areas, from restaurant operations and new products to the effective employment of older workers.

In 1955, Ray Kroc, our senior chairman, opened the first restaurant in Des Plaines, Ill., at the age of 52. I am happy to announce this month he will celebrate his 78th birthday and he is still very much our spiritual and driving force. He is also a very active participant in our decisionmaking process.

With this heritage, we can't help but have an attitude that is very positive toward older workers.

The average McDonald's restaurant currently employs about 60 part-time employees. We refer to them as crew workers. They prepare our products, serve our customers and perform other operating functions. Most crew employees work flexible hours on a part-time basis. Thus, students can be scheduled to work after school, housewives during the day when their own children are in school and others to accommodate their personal needs.

I believe this scheduling flexibility and the part-time nature of our crew jobs are particularly important to our older work force. Employees not only can be scheduled to work at times most con-

venient for themselves, but also during hours when the volume pattern best fits their own particular temperament and personal characteristics. Some workers—regardless of age—find the busy McDonald's lunch hour too physically demanding or unnerving, while others thrive on this hectic pace. Also, the shorter workday associated with part-time employment often provides job opportunities for those who might not have the stamina or the desire to work a full 8-hour day.

There is also flexibility in the nature of the crew job itself. The pace of each crew function requires a different degree of physical movement and public contact. Many crew workers master all of these stations, while others choose to work only those tasks which best meet their personal characteristics.

On a more intangible level, there is an important sense of teamwork and camaraderie that takes place in the restaurants with the older workers and the young employees. The older workers gain self-esteem and recognition.

On the other hand, McDonald's receives many benefits from older workers. Their maturity, sense of responsibility and pride, as exemplified by regular attendance, consistent job performance, steadiness, provides a role model for our younger crew people. Older employees are usually more stable, and lend to the continuity and dependability of an often rapidly changing part-time work force. They also comfort and reassure our young managers, many of whom are supervising others for the first time.

For many years, we have encouraged franchises and company restaurant managers to recruit and hire older workers who meet our qualifications. We have done this at both the corporate level, and also through direct contributions and other types of support. In preparing for the meeting today, I learned of many incidents which typify the relationship between McDonald's and older workers. And I can recall many personal experiences, from my days in the restaurant, in field management which I wish I could tell you about today.

Back in 1977, we featured a 72-year-old employee in our annual report. I would like to say we continue to express the importance of older workers in our internal and external communications. Our objective is to create a climate to encourage our local owners and managers to more effectively reach out to this labor market. In 1978, a grant from McDonald's to the National Council on the Aging helped them prepare "A Job-Seeking Guide for Seniors." This guide helps to prepare older citizens for the job-hunting process and outlines the rights and responsibilities of both the employee and the employer. The nationwide senior community service project network of the National Council on the Aging, has already distributed 10,000 copies of this. In Florida, local McDonald's restaurants have distributed several thousand copies.

In Chicago, McDonald's management has developed a program to locate employees with Operation ABLE, a local organization which identifies job opportunities for older workers. As a result, we were able to employ a 73-year-old gentleman by the name of Julius Kazban, at our Skokie, Ill., restaurant. Mr. Kazban later received an achievement award from Operation ABLE and was featured on local television. Mr. Chairman, we were privileged to have you visit

Chicago, and speak at the luncheon where Mr. Kazban was so honored.

Since then, we made a grant to Operation ABLE. It was to enable them to prepare a kit to help others organize similar senior employment networks in other areas of the country. We plan to distribute this kit through the McDonald's regional personnel offices around the country.

Local McDonald's operations and management throughout the country are regularly recruiting older workers through advertisements of special local publications like the Weekly Review and are working with various employment centers and services. Mats and artwork for newspaper advertisements picturing older employees have been made available to our local offices. I have exhibits submitted with my formal statement, and I have just a few.

The CHAIRMAN. Those will be filed along with your original manuscript.

Mr. BEAVERS. These activities and many others on the record, have been developed to tell older workers that they are welcome and can make a contribution at McDonald's. But recruiting such workers is a real challenge and we are continuing to strive for new and better methods to attract older workers for available openings.

Before I conclude my remarks, I would like to describe our policy toward another important group of able and experienced people who help make our McDonald's team—our older owner-operators. McDonald's franchise agreement is generally issued for a 20-year period. Upon expiration of the initial 20-year term, we will rewrite franchises who are qualified for the new agreement. Age is not a consideration in this rewrite decision, rather we look at physical condition and stamina of the owner-operator.

In conclusion, Mr. Chairman and committee members, I would like to thank you for the opportunity to discuss McDonald's experience with older workers. We are a long way from having all the answers, but we are certainly going to continue to work toward finding better ways to incorporate more of these valuable citizens in our workforce. We may be young in terms of our history, but we are convinced of the value of the work of older workers.

[The prepared statement of Mr. Beavers follows:]

PREPARED STATEMENT OF ROBERT M. BEAVERS, SENIOR VICE PRESIDENT, MCDONALD'S CORP.

Mr. Chairman and members of the Committee. My name is Bob Beavers and I am a Senior Vice President of McDonald's Corporation of Oak Brook, Illinois. It is a privilege to appear before the Committee today to discuss McDonald's commitment to and experience with older workers.

McDonald's Corporation licenses and operates a system of 6,500 fast service restaurants in 30 countries. More than 5,400 of these restaurants are located in the United States and seventy-five percent of these domestic units are operated by independent businesspeople, under the terms of franchise agreements with McDonald's Corporation. The remaining 25% are operated by the Corporation. The combination of franchised owner-operators and aggressive McDonald's field management has created a dynamic business environment which has produced a wide range of ideas and innovation in many areas, from restaurant operations and new products to the effective employment of older workers.

In 1955, Ray Kroc, now Senior Chairman, opened the first restaurant in the McDonald's System in Des Plaines, Illinois. At the age of 52, when many people are contemplating retirement, he was just starting a new business. Mr. Kroc's entrepreneurial spirit carried him and McDonald's through the sixties and seventies with

phenomenal success. In 1980, when McDonald's was celebrating its 25th anniversary, Mr. Kroc, its founder, Chairman and driving force, turned 77 years of age. He is an active participant in McDonald's decision-making process today.

With this heritage, McDonald's attitude toward older workers could only be positive and forward thinking. The contributions of these workers to our business paint a picture of human experience and achievement, rather than one of numbers, facts and figures. McDonald's is proud of its history as an equal opportunity employer; a provider of valuable first jobs for millions of teenagers; and as an employer of older workers.

The average McDonald's restaurant employs about 60 part-time, hourly employees, referred to as "crew" workers, who prepare our products, serve our customers and perform other operating functions. Most crew employees work flexible hours on a part-time basis. Thus students can be scheduled to work after school, housewives during the day when their own children are in school and others to accommodate their personal needs.

I believe that this scheduling flexibility and the part-time nature of our crew jobs are particularly important to McDonald's older work force. Employees not only can be scheduled to work at times most convenient for themselves, but also during hours when the volume pattern best fits their own particular temperament and personal characteristics. Some workers—regardless of age—find the busy McDonald's lunch hour too physically demanding or unnerving, while others thrive on this hectic pace. Also, the shorter workday associated with part-time employment often provides job opportunities for those who might not have the stamina or the desire to work a full eight-hour day.

There is also flexibility in the nature of the crew job itself. The pace of each crew function requires a different degree of physical movement and public contact. Many crew workers master all of these stations, while others choose to work only those tasks which best meet their personal characteristics.

On a more intangible level, there is an important sense of teamwork and camaraderie within our restaurants that provides many older workers with needed self-esteem and recognition. In many instances, the satisfaction provided may be more important to these workers than monetary earnings.

On the other hand, McDonald's receives many benefits from older workers. Their maturity, sense of responsibility and pride as exemplified by regular attendance, consistent job performance and steadiness, provides a role model for our younger crew members. Older employees are usually more stable, and lend continuity and dependability to an often rapidly changing part-time work force. They also comfort and reassure our younger managers, many of whom are supervising others for the first time in their careers.

For many years, McDonald's has encouraged franchisees and company restaurant managers to recruit and hire older workers who meet our qualifications. We have done this at both the corporate level, through direct contributions and other support, and on the local level by creating a climate for innovation and action. In preparing for meeting with your Committee today, I learned about many incidents which typify the relationship between McDonald's and those older workers. I also recall many personal experiences from my days in restaurant and field management which I wish I had time to tell you about today.

Back in 1977, McDonald's Corporation Annual Report documented the role of older workers by featuring a story about Ben Przybulski, a then 72 year-old employee at the McDonald's restaurant in Oak Brook, Illinois. Ben had joined McDonald's six years earlier. He had been a milkman for 44 years until the arthritis in his legs forced him to retire. After three years of "too much leisure time", Ben decided to apply for a crew position at McDonald's. The annual report quoted him as saying, "If I'd have stayed home, I'd probably be dead now".

In my opinion, Ben's story, as impressive as it is, is not the story in itself. The story is that McDonald's, regarded primarily as an employer of teen-agers, chose a 72-year-old as one of seven crew employees to feature in its annual report.

McDonald's continue to stress the importance of older workers in their internal and external communications. Our objective is to create a climate to encourage our local owners and managers to more effectively reach out to this labor market. In 1978, a grant from McDonald's to the National Council on the Aging helped them prepare, "A Job-Seeking Guide for Seniors". This guide helps to prepare older citizens for the job-hunting process and outlines the rights and responsibilities of both employee and employer. The nationwide Senior Community Service Project network of the National Council on the Aging, has already distributed 10,000 copies of it. In Florida, local McDonald's restaurants have also distributed several thousand copies.

In Chicago, McDonald's management developed a program to locate employees with Operation ABLE, a local organization which identifies job opportunities for older workers. As a result, we were able to employ 73-year-old Julius Kazban, at our Skokie, Illinois, restaurant. Mr. Kazban later received an achievement award from Operation ABLE and was featured on local television. Mr. Chairman, we were privileged to have you visit Chicago, and speak at the luncheon where Mr. Kazban was so honored.

Since then, McDonald's has made a grant to Operation ABLE to enable them to prepare a kit to help others organize similar senior employment networks in other areas of the country. We plan to distribute this kit through McDonald's regional personnel offices around the country.

In Los Angeles, local McDonald's management developed another approach called "The Forgotten Workers Welcome". This program informed the public through print media and radio broadcasts that we were "cooking-up" new employment opportunities for two groups of people which largely had been overlooked by employers—housewives and older workers. McDonald's had an excellent ongoing relationship with both groups in the area and recognized their potential for greater contributions in the future. This successful recruitment program received widespread attention in local papers and on radio talk shows.

McDonald's has also been a corporate supporter of a Chicago newspaper called the Weekly Review. With a circulation of 45,000 it is committed to the idea that age should not bar a person from being informed and effective. In 1980, our support was strengthened by the presence of McDonald's President Ed Schmitt, who served as Chairman of the Weekly Review's annual fundraising dinner.

Local McDonald's operators and management throughout the country are regularly recruiting older workers through advertisements in specialized local publications such as the Weekly Review and by working with various employment centers and services. Mats and artwork for newspaper advertisements picturing older employees have been made available to our local personnel people for use in recruiting.

These activities, and many others on record, have been developed to tell older workers that they are welcome and can make a contribution at McDonald's. But recruiting such workers is a real challenge and we are continuing to strive for new and better methods to attract qualified older workers for available openings.

Before I conclude my remarks, I would like to describe our policy toward another important group of able and experienced people who help make McDonald's work—our older owner-operators. McDonald's franchise agreement is generally issued for a 20-year period. Upon expiration of the initial 20-year term, franchisees who qualify are considered for a rewrite of a new agreement. Age is not a consideration in the rewrite decision, although the physical condition and stamina of the owner-operator is among the criteria.

McDonald's frequently rewrites franchise agreements which extend well into the franchisees' sixtieth and seventieth years. In fact, 78 year-old Ken Props, McDonald's Director of Franchising, reminded me that just a few years ago, we entered into a new 20-year agreement with a vigorous 77 year-old franchisee.

In conclusion, Mr. Chairman and Committee members, I would like to thank you for the opportunity to discuss McDonald's experience with older workers. We are a long way from having all the answers, but are continuing to work toward finding better ways to incorporate more of these valuable citizens into our workforce. Although, McDonald's is young in terms of its own history, we are firmly convinced of the value and worth of older workers.

Crewmember Florence Choquette enjoys the best of both worlds as a McDonald's employee. Residing in Florida from September through May, Florence works at McDonald's in *Lakeland, FL*. Then she heads north to New Hampshire for her other McDonald's duties from June through August, leaving behind the scorching Florida sun.

While in Florida this year, Florence constructed a gigantic authentic looking Big Mac® sandwich cake to help launch that store's Build A Big Mac campaign. However, the delicious cake lasted no longer in the Crew Room than Big Mac sandwiches do in the bin.

Keep up the good work Florence and the Crews Views editorial staff will try to get back to work with their mouths watering after looking at pictures of that gorgeous cake.

© McDonald's Corporation
MAY/JUNE 1981

CREWS VIEWS
McDONALD'S CORPORATION
MAY, 1980

91-619 O—82——5

CREW ORDER

Working those long hours, being a self-starter, and possessing the "initiative" to work independently have paid off for crewperson, Eileen Manor. Her store, McDonald's of Mechanicville, NY, recently acknowledged Eileen as Crew-person of the Year for 1979. The award was based on her entire performance throughout the past year. Working for McDonald's since her store opened in November of 1977, Eileen's outside activities also keep her hopping. Eleven children and 28 grandchildren can be incredibly hard work. Eileen takes it all in stride.

Manager Ron McCormick explained some of the reasons why Eileen's name was submitted for the award and why she's one of her store's top crewmembers. "Eileen does more than her job," Ron said. "She always gives that something extra and is willing to help out new crewmembers. I never have to worry if she's doing her job. Rarely does she require supervision, and she takes the initiative to see that things get done without being asked. If there happen to be areas of concern, Eileen takes corrective measures. Especially with new crewmembers. She offers incentive to each one and takes the time to work with everyone. She simply does an outstanding job."

Eileen works the grill and thoroughly enjoys her responsibilities. "I have always enjoyed cooking, and being with the other crewpeople is great," she said. "Everyone here just calls me 'Ma' and that's the way I like it!"

McDonald's has been a learning experience for Eileen, especially observing the care McDonald's takes in the quality of its products. "They're so careful. I've worked other places that just don't care."

Any plans for retirement? "Certainly not," she firmly stated. "I intend to work until I can't."

According to her manager, Eileen will be around for as long as she wants. She truly enjoys the fact that she has managed to establish a good rapport with everyone in the store, including her manager. "It's really important to communicate with your manager," she said. "If I'm doing something wrong, I want to know about it. I'll always continue to put forth extra effort. I do it because I enjoy my job so much. I know what needs to be done so usually no one has to tell me."

In her rather matter-of-fact manner, Eileen enjoys what she does and concentrates on today, not tomorrow. And for today, she has earned her new title with plenty of hard work and dedication.

CREW'S VIEWS
McDONALD'S CORPORATION
MAY, 1980

in the news

Seventy-eight-year-old crewperson Ralph Claudy was given a surprise party by fellow crew from McDonald's of Indianapolis on East Street. Ralph has worked at the fry station for the last nine years. Previous managers and family were invited to share some cake.

According to the crew, customers from miles away come to their McDonald's because of Ralph's ,and McDonald's, of course) good French fries and to keep tabs of their favorite crewperson. The crew acknowledges pride in working alongside this dedicated employee.

CREW'S VIEWS

McDONALD'S CORPORATION

MARCH, 1980

© 1980 McDonald's Corporation

Eighty-year-old John Selby hasn't missed a day's work in the 12 years since he started with McDonald's®. Every morning at 8:30 John arrives at the McDonald's in Willowick, OH. Getting up early for work is something he has done since the age of 12. Retiring in 1967, he immediately joined the McDonald's force.

"I enjoy work," he said. "It gives me something to do; it keeps me going." For his recent birthday, crewmembers surprised John with a party and presented him with a plaque with a silver grill spatula. The plaque read, "One small symbol for a great job well done."

John could only chuckle when asked about retirement. "I'll work as long as the boss will have me."

The CHAIRMAN. Thank you very much, Mr. Beavers.

What was the name of the organization that put on the luncheon in Chicago?

Mr. BEAVERS. Operation ABLE.

The CHAIRMAN. On the occasion when I spoke there, to which Mr. Beavers kindly referred, they had found jobs for 2,000 retirees in the previous year, if I recall correctly. It was a public service group and they found jobs for 2,000 retirees.

Mr. Shamansky.

Mr. SHAMANSKY. Mr. Beavers, has McDonald's recently changed its advertising agency?

Mr. BEAVERS. Yes; we did just recently.

Mr. SHAMANSKY. With that in mind, is it possible that in your future advertising for television perhaps older personnel could be featured? As I remember, all of the fast food advertising, the smiling young faces, that goes into every home in the country. We don't see any of the older people that I know that you are trying to entice to come to work. The quickest way of getting the message out to the public is to show those of us fortunate to have—I call them service strips—I used to claim I was prematurely gray, but I

don't say that anymore. It is a matter of the quickest way to feature older Americans on television as employed by McDonald's.

Mr. BEAVERS. I think you can expect to see the use of older employees in our future commercials.

Mr. SHAMANSKY. I think that will be in line with what you are saying.

Mr. BIAGGI. Would the gentleman yield?

Mr. SHAMANSKY. Yes.

Mr. BIAGGI. That is excellent. Until this day, I wasn't aware that you employed older people.

Mr. BEAVERS. Yes, sir.

Mr. BIAGGI. I understand the nature of your testimony, obviously it is an aggressive effort on the corporation's part, but there is a lot more to do and it has not reached America at large.

Mr. BEAVERS. We need to do a little better job in communicating that message. I think the suggestion made by Congressman Shamansky is excellent.

The CHAIRMAN. In connection with that, we held a hearing in Hollywood and we heard from the actors and actresses and authors the sad story that it was getting to the point of where an actor over 35 didn't have much of a chance to get a job.

Mr. BIAGGI. Except Lassie.

The CHAIRMAN. Even the authors were beginning to be discriminated against.

Dr. Rechtin, the shortage of trained engineers is one reason that your company is turning to its older workers. How serious is the shortage likely to become in the future?

Mr. RECHTIN. The estimate of shortages is on the order of tens of thousands of engineers in the aerospace business, toward the end of 1980, if one makes a rather conservative estimate, that the total demand for engineering services remains about the same. The problem is the supply has declined sharply during that particular period. It is an easy demographic forecast to make.

The CHAIRMAN. That is very interesting, and it is an encouragement to the older workers that it will have a chance probably for consideration.

Mr. Knudson, your company seems to be disproving the addage that you can't teach an old dog new tricks. Do you find that older people are as capable of learning computer programing techniques as young people?

Mr. KNUDSON. We have found that they learn just as easily as anyone else. They don't think so at first and there is a degree of temerity. I almost think we waste our first 2 weeks of the course in trying to convince them that computer terminals don't bite and you really can't fold, spindle, or mutilate electronic data. But, once we get into it—as a matter of fact, our instructors have discovered a rather unique situation with these trainees. Because we have a group of trainees who really feel they don't know anything—it is a very complex subject—but we also have this same group of people sitting in that class who have 40 and 50 years experience in old careers and they have a presence that trainees normally don't have, and it takes a fairly good instructor to handle both sides.

The CHAIRMAN. Thank you very much.

Mr. Bradshaw, Grumman has been in the press lately because it was threatened for takeover by another corporation. If this takeover were to occur, what do you think might happen to the program you established for your older workers?

Mr. BRADSHAW. Mr. Chairman, with all due respect, we would like to pride ourselves in one of the most family-oriented aerospace companies in the industry. I am not aware that the LTV Corp. has a similar reputation.

The CHAIRMAN. Thank you very much.

Mr. Beavers, from a strict business perspective, what is the greatest advantage to your company of hiring older workers?

Mr. BEAVERS. I think there are several advantages. One intangible advantage, the experience that our young managers have in working with the older workers. Many of them have had considerable managing experience working for other industries, other companies, and spending time with these young managers on particular problems that may crop up during the course of the day I think helps to really stabilize their management techniques and I can just recount many instances in my own development where I have benefited from the counsel and advice of older workers. I also think that our crew people pick up a lot from the older workers. They are always on time, they are very productive, they almost embarrass some of the younger crew people as to how much they can do. And they have a great deal of enthusiasm that I think is infectious to the rest of the workforce.

The CHAIRMAN. May I ask each one of you gentlemen one question. What I have said and what you are doing is so heartening to this committee. We wish it were the general situation in the country.

Tell us, if you will, in a brief comment, yes or no, is what you are doing an isolated development in the country or do you find industry in our major business enterprises are generally beginning to fall into the same pattern you are following?

Mr. RECHTIN. Mr. Chairman, Aerospace Corp. is in southern California in the midst of a highly competitive industry. As a consequence, whenever any one of us gets a good idea how to increase the productivity of older workers, things get picked up relatively quickly by the others. For example, the sorts of things that Aerospace is doing now are leading in some others, but there are others, TRW, Lockheed, and some others that are not far behind. I think in general the aerospace industry is probably ahead of the legislation at this point because it is in their competitive interest to be so.

The CHAIRMAN. Mr. Knudson.

Mr. KNUDSON. I would say it is a definite trend. We are going to see the industry product life cycle and that life cycle has been cut in half and cut in half again since we discovered there was such a thing as product life cycle. I think it has just been identified here. If you are looking within the next 20 years, you are looking at a serious possibility of two or more careers in your lifetime as industry and technology move forward.

The CHAIRMAN. Thank you very much. Mr. Bradshaw.

Mr. BRADSHAW. I think the trend is there and I think it is accelerating. I think it is marvelous.

The CHAIRMAN. Mr. Beavers.

Mr. BEAVERS. I would also say that the trend is a very positive one in our industry and I think as a leader in the industry we certainly encourage our competition to reciprocate.

The CHAIRMAN. Mr. Daub.

Mr. DAUB. I just really want to say that this was a very astutely prepared set of witnesses to staff, Mr. Chairman, because I think we have all been captivated by the contributions that they made, that their management has helped them to articulate to us today, and thank each one of you for taking time to come. We very much appreciate it.

There is one particular question, Mr. Knudson, for you with respect to recommendations in your testimony on pages 6 and 7.

Mr. Chairman, if I might, I would like to urge you to examine that particular set of testimony and perhaps ask staff to prepare a set of factual information or investigative types of questions or reports or recommendations that might include some legislative recommendations for our full committee.

The CHAIRMAN. Thank you. The staff will take note of that.

Mr. Shamansky.

Mr. SHAMANSKY. Thank you, Mr. Chairman.

I note that I had an opportunity to ask questions before.

The CHAIRMAN. Yes.

Mr. SHAMANSKY. You see how much we appreciate what you have done here. We hope we can make some use of the information you have given us. Thank you very much.

The CHAIRMAN. Now we have three more witnesses, and if you will come up to the table: Mr. Ulrich holds the position of president and chief executive officer of Ward Howell International, Inc., an executive search consulting firm; and the next is Dr. Jon Pynoos who directs the Institute for Policy and Program Development in the world-renowned Andrus Gerontology Center at the University of Southern California. A major portion of the institute's efforts is directed toward the study of employment and retirement issues. Next is Donald Pursell, director of the bureau of business research at the University of Nebraska's College of Business Administration. With a Ph. D. in economics from Duke University, Dr. Pursell has directed and conducted research on manpower issues, taught economics at major universities across the country, and has published numerous articles and books on business-related issues.

Gentlemen, we are delighted to have you here with us today.

First we will ask Mr. Ulrich to make a statement. You heard me say to the other witnesses, you may either read your statement or have it inserted in the record or summarize it in your own way, whatever your pleasure is.

STATEMENT OF MAX M. ULRICH, PRESIDENT, WARD HOWELL INTERNATIONAL, INC.

Mr. ULRICH. I have been asked to speak briefly today to offer this distinguished committee the perspective of an executive search consultant on business attitudes toward older executives and, from the other side, attitudes as we see them of individual executives toward work and retirement.

As background, our firm was founded 30 years ago and now has some 50 partners operating round the world under the firm's banner. Together, we have over 1,000 years of business and executive recruiting experience. We conduct hundreds of senior level searches each year for clients ranging from some of the largest corporations in the world to smaller companies in need of management reinforcement, from nonprofit organizations to Government bodies, and from educational institutions to trade associations. I believe we have good insights into the attitudes of organizations and of individual executives. Since our work involves executives for upper management levels, my comments will apply principally to this group of people.

I believe there has been a definite change over the past decade in the attitudes of corporations with respect to the age of executives they want to bring into their organizations. Whereas 10 years ago it was fairly common to hear a client specify, I would like to have somebody up to 45 years old, today it is not uncommon for them to say, "Well, I will go up to 55 or maybe a little more". The average age of the executives we introduce to corporations is about 45 years, which I think is what one would expect considering the experience level of positions we are recruiting for. However, we are noticing a growing willingness on the part of companies to consider—and hire—managers of 60 or even older in certain situations.

Generally, the more senior the position or the more stringent the technical requirements, the more willing companies are to consider older executives. We are seeing many instances of real departures from traditional thinking about age. For example, we worked with a prestigious international bank to find a new chairman for their U.S. organization who would bring added wisdom, experience, and insights into their business. The successful candidate—a dynamic 64-year-old who had just retired as chief executive of a multibillion-dollar industrial corporation. Another recent example concerns a large oil company. We were asked to assist this company in finding an individual to advise them on their worldwide shipping operations. We found a young 60-year-old with superb qualifications who got the job.

Some companies bring in older executives to help prepare the next generation of management. One of our client companies sought a leader who could develop its young managers, none of whom was ready to succeed the retiring chief executive. The winning candidate—a 58-year-old former chief executive of a much larger company, who had taken early retirement. Because of his age, the younger managers did not feel their futures were blocked. The sequel to this is that the 58-year-old held the chief executive position for 5 years, carefully groomed several of these managers for the top position; he presented three to the board for consideration, one of whom was selected and is now performing with distinction.

Older executives who have completed their careers are also increasingly in demand in developing countries for their proven management skills. Age of candidates is rarely a factor in these instances. We recently recruited a retired 61-year-old head of a major U.S. airport complex to spearhead the ambitious commercial aviation development plans of a Middle Eastern country.

We are also seeing changes in the attitudes of many executives toward retirement. People are living longer and are in better health than ever before. Actuarial studies show that a man who is 65 today can expect to live until 80, and a woman of 65 to almost 85. As retirement looms, many have second thoughts about hanging up their spurs.

It is not unusual today for the older or retired executive to embark on a second career. I need only point to some well publicized examples like Ian MacGregor. He retired at age 65 and joined Lazard Freres. In 2 or 3 years he was selected to head up British Steel, which organization he is heading now. The present Secretary of the Treasury and the new head of the World Bank both are in second careers after distinguishing themselves as chief executive officers of major financial institutions. The former CEO of Prudential Insurance Co. retired at age 60 and then became head of a large health care firm with splendid results.

Why are many older executives remaining in the work force? From our experience, although inflation might be a factor in some instances, the reasons are not usually financial. Rather, the primary motivation is a desire to remain a productive and contributing member of society. And I think that was borne out by our earlier witnesses today.

Many executives who have been active in business all their adult lives see no reason to stop being productive at an arbitrary age—60, 65. Many find the slower pace of retirement unsatisfying after an active managerial career. For these, golf and fishing may be fine for 2 days a week, but not 7.

One CEO of a midwestern company who retired to his ranch last year at age 60 summed it up recently by saying, "The horses are getting tired of seeing me around all the time." And, incidentally, we approached this individual about a job and he is very interested in pursuing one after his life in the country.

Many people are surprised when I tell them that executives in their sixties often have a greater spirit of adventure and are more willing to start over in a new environment than their counterparts. They are generally more open, and with good reason, to the professional challenge and risk of beginning a new career. In the past 2 years, we have placed more than a dozen older U.S. executives in high-level positions overseas in developing countries.

I hope these brief comments have been helpful. Let me make one final point. The key factors in determining executive competence include vitality, experience, flexibility, creativity and openmindedness, and these are not a function of chronological age. We all know people 55 going on 90, and 80-year-olds going on 42. I don't believe one can generalize and say every executive should stay in his job till age 70 or 75, but conversely, many executives can perform well for years after normal retirement age, and increasingly many are doing so.

I want to thank you, Mr. Chairman, and your committee for this opportunity to comment on this important subject.

The CHAIRMAN. We thank you, Mr. Ulrich. You have given us a wonderful perspective looking for people to head up companies.

Next will be Dr. Jon Pynoos. We are delighted to have you and we welcome your statement.

STATEMENT OF JON PYNOOS, DIRECTOR, INSTITUTE FOR POLICY AND PROGRAM DEVELOPMENT, ANDRUS GERONTOLOGY CENTER, UNIVERSITY OF SOUTHERN CALIFORNIA

Mr. PYNOOS. As you know, the Andrus Center is the largest multidisciplinary institute in the United States devoted to the study of aging. In the last several years, we have spent considerable energy conducting research and policy analysis in the area of employment and retirement of older workers.

I am here today to report on the study that has examined the extent to which corporations view older age as a neutral factor, as an asset or a problem in recruiting new executives and upper level managers.

Overall, the study indicates that the corporate world is increasingly willing to recruit executives on the basis of criteria such as skills, judgment, and experience. The application of such criteria represents a breakthrough in attitudes and opens the door to more older executives and managers.

This is an important finding because in the early 1960's there was the sense that companies only wanted CEO's and managers who were younger—by younger, they often meant under 40—the whiz kids of that era. They assumed that youthful vigor was the key to successful management leadership. Companies were reported to be putting their older executives out to pasture while recruiting younger replacements.

The research I am reporting on today was conducted at the request of the House Select Committee on Aging. Its purpose was to find out if the attitudes of major corporations are changing such that it is easier to replace older executives and managers and whether such a trend can be expected to continue.

The research was conducted through telephone interviews with persons on the presidential or partner level of the 15 top consulting firms involved in executive searches. Survey respondents included such companies as Ward Howell, Korn Ferry, Heidrick & Struggles, and Russell Reynolds. For purposes of the survey, older executives and managers were defined as those over age 55.

Overall our research corroborates the testimony of Mr. Ulrich, the previous speaker, who was one of the people we interviewed.

The study indicates the age of candidates being recruited for top level positions has been steadily increasing over the past 10 to 15 years and can be expected to continue. The respondents generally indicated that there is now a willingness and even specified requests in certain situations to hire new executives at least into their mid-fifties.

What accounts for the change and under what conditions can it be expected to continue? The respondents indicated five major reasons for this trend. First, a reduction in age stereotypes; second, certain situations in which older executives are actually sought out; third, the impact of Government policies; fourth, the proactive role of executive search firms; and fifth, the need of corporations for specialized skills.

Let me elaborate briefly on several of these points. One, respondents indicated that stereotypes associated with aging are beginning to erode. There is an increasing realization that many people

remain healthy and vigorous into old age, and business is beginning to pick up this kind of information.

Two, older executives' experience can be especially important in certain situations. For example, in a weakened or volatile economy, younger executives may not have experience to call on. One respondent stated: "When things started going sour, the whiz kids didn't have the experience or resources to address changed circumstances. During a period of consolidation, experience looms large."

Another situation in which older executives seemed especially appropriate was when companies faced a financial crisis. One executive recruiter said: "When things are not going well, companies need someone to do the job now, not a younger person with potential later." Several reported instances where newly recruited older executives were able to turn around company loses.

Newly recruited older executives also seem to play an important role in interim situations where younger executives are not quite ready to take over and a company needs an older executive to provide a stabilizing force and training. Several people indicated that even in the electronics field which tends to have a great number of younger executives, older executives have been recruited to provide some balance and maturity.

Three, the impact of Government policies such as the Age Discrimination and Employment Act has made selection less arbitrary but even more importantly in terms of older executives, raised the awareness of age as an issue.

Four, executive recruiters can play a catalytic role by advocating on the basis of criteria such as skills, judgment and experience. One person said, "I persuaded a firm that wanted a younger person that my 55-year-old candidate had the experience to do the job, and he was hired."

Finally, when the special skills are needed, age is less of a factor. Examples of special skills are combinations of data processing and management skills or scientific and management skills. In an age of specialization, those with special skills will be valuable regardless of age.

While there is a trend to recruit more older executives, as with most new developments, there are still several problems to overcome.

First, corporations are presently more willing to hire older executives than older managers. They view older managers as presenting special problems. For example, corporations often question the growth potential of older managers. They are willing to acknowledge that 20 to 25 years of experience in executive position is valuable, but they are not quite sure that is true at the managerial level. In addition, problems of pensions and vesting can complicate the hiring of older managers. If a manager is not already vested, he may not have the time to earn rights to a pension in a new position. For example, if a manager starts a new job at age 57, and 10 years is required for vesting and normal retirement age is 65, a barrier to employment exists.

The second problem is that many respondents indicated corporations considered older executives as being in their mid-fifties. Given the much higher life expectancy these days, such executives could

have many more productive years ahead. Corporate definitions of older may not yet be old enough.

In spite of the problems, however, the survey reveals an increasing tendency among businesses to view age as a neutral factor in seeking new management and executive personnel. Indeed, the trend away from youth toward maturity and experience makes age a potential asset in many situations.

There are three issues for further consideration. One the need to rethink promotability and growth potential of managers. Two, more education of the business community, with the help of executive search firms, on skills of older employees. Three, the resolution of complicated issues of pensions and vesting that do enter the equation.

In conclusion, I want to thank you, Mr. Chairman, and your Committee, for the opportunity to share our findings with you. The trends do offer some optimism regarding future hiring possibilities for older executives and managers.

[The study submitted by Mr. Pryor follows:]

PREPARED STATEMENT OF JON PYNOOS, PH. D., DIRECTOR, INSTITUTE FOR POLICY AND PROGRAM DEVELOPMENT, ANDRUS GERONTOLOGY CENTER, UNIVERSITY OF SOUTHERN CALIFORNIA

Business Attitudes Toward Older Executives and Managers: A Survey of Executive Recruitment Firms

EXECUTIVE SUMMARY

In preparation for a special hearing on new business attitudes toward older executives and managers, the House Select Committee on Aging requested a survey of top executives in the nation's leading executive recruiting firms. The survey, conducted by the Andrus Gerontology Center, University of Southern California, was designed to assess the present climate among business leaders toward hiring older executives and managers. The results are summarized below.

Major findings

The age of candidates being recruited for top level positions has been steadily increasing over the past 10–15 years.

The importance of age as a factor in the selection process is related to the level of the position being filled; the highest levels within the company are more likely to be filled by older individuals.

For positions requiring special skills, or when companies face financial crises, executives and managers are selected without regard to age. Under these circumstances the most qualified individuals are sought, whether they are old or young.

Some executive recruiting assignments involve specific client requests for an older executive. An older executive is brought in both to stabilize the company and to aid in the training of up-and-coming executives.

There are specific problems which still affect a company's willingness to hire older executives or managers. In some cases, the pension plan inhibits hiring an older executive because he or she may not achieve vested rights to the pension before retiring.

Foreign-owned companies are generally perceived as being more receptive to older executives and managers. It was also noted that multi-national corporations seek older executives because of the international diplomacy skills required.

The age of executives and managers being recruited is expected to continue to increase in the future.

INTRODUCTION

Reports in the business media indicate that older worker issues are appearing on the agendas of business leaders across the nation. During the past few months the Wall Street Journal has noted trends in attitude changes by businesses toward hiring older workers in general, and older managers and executives in particular.

In preparation for a special hearing on business attitudes toward older managers and executives, the House Select Committee on Aging commissioned a survey of top executives in executive recruiting firms. The survey, conducted by the Andrus Gerontology Center, University of Southern California, was designed to assess the attitudes and behavior of business leaders toward hiring older executives and managers. As consultants who deal both with a client company's search for high level staff and with potential candidates for a given position, these individuals are sensitive to trends in the age composition of candidates considered for employment.

The survey focused on the following issues:

Current trends in corporate willingness to consider hiring older executives and managers, and the factors which affect client attitudes.

The average age of executives and managers recruited by the firm, as well as the age of the oldest person recruited and hired by a client company.

Projected future trends in corporate willingness to consider hiring older executives and managers.

The firms selected for the telephone interview survey were among the top twenty consulting firms in the area of executive search. Information on these firms was made available by the Congressional Research Service in consultation with the staff of Consultant News. Fifteen of these firms participated in the survey conducted in October, 1981 (see attachment). The individuals interviewed were located in the top administrative ranks of the firm, often at the Presidential or Partner level or its equivalent. Their comments are quoted throughout the remainder of the report.

For purposes of the survey, "older" executives and managers were defined early in the interview as those over age 55. Executive level positions focused on the very top one, two, or three positions in an organization. Management positions referred to the next lower level positions with corresponding lower salary ranges. This distinction became important in terms of the influence of age as a factor in hiring decisions.

Overall, the results of the survey indicate positive attitude changes toward more experienced, older personnel—particularly as part of a trend over the past 10–15 years. Indeed many of those surveyed gave examples of executive level recruiting assignments in which their clients considered, or specifically requested, an older candidate.

"We began the assignment with the assumption that the company was looking for someone in their early 50's. The person we found was 60 and just right for the job. His experience, combined with his vigor made him the best candidate".

As is the case with many issues, employer attitudes toward hiring older executives and managers have changed more dramatically than actual behavior. In the future, we are likely to see more widespread hiring of older persons for top level posts as the actions of employers begin to catch up with their attitudes.

MAJOR FINDINGS

The age of candidates being recruited for top-level positions has been steadily increasing over the past 10 to 15 years

Almost all of those surveyed noted the changing age composition of candidates being considered and hired by companies—particularly at the executive level. This coincides with an ongoing reevaluation of the emphasis on youth prevalent in the sixties, together with a recognition of the skills and experience many older personnel can bring to a job. Several of those interviewed noted they could remember a time in the 1960's when candidates over 40 were not even considered for top positions by client companies.

Interviewees offered several reasons for this change:

(1) Many of the stereotypes associated with the aging process have been discredited.

"There is an increasing realization that people remain vigorous and healthy into old age."

The individual nature of the aging process was also pointed out by several of those surveyed who observed that "one can be young at 64 or old at 40."

(2) Related to the more positive attitudes towards older people in general is the current importance of some positive attributes specifically associated with age. As one informant noted:

"The economy today puts a premium on experience."

Another consultant discussed the changes in company attitudes brought about by a recessionary economy in the mid 1970's:

"Before that period, the 'whiz kid' type was at a premium. When things started going sour, these younger people didn't have the experience or resources to address

changed circumstances. During periods of consolidation experience counts." Significantly, ten out of fifteen of the surveyed consultants volunteered this response as a primary factor contributing to greater client willingness to consider hiring older executives or managers.

(3) Government policies seem to have had some effect on corporate willingness to hire older executives and managers. Several informants noted that regulations under the Age Discrimination in Employment Act specifically, or equal employment legislation in general, have made selection processes less arbitrary.

(4) Two informants noted that private sector policies relating to the hiring and management of personnel have also undergone changes which contribute to a greater receptivity to older workers. One noted the increasing importance and power of the human resources function:

"As it becomes professionalized, the human resources position is being moved up to the office of the President where occupants have more impact on strategic planning. There, they are also in a position to sell or persuade management to keep their options open in reference to age."

Another consultant noted the growing tendency of the selection process to become based on "quantifiable and objective standards versus stereotypes and personal prejudices."

(5) Finally, several informants noted the proactive role of the consultant in the recruiting and selection of top personnel.

"Our firm tends to open up the thinking of our clients. We try to stimulate thinking about a broader range of candidates that might fit the position."

If a client seems to be looking for a younger man this consultant felt his staff should raise the issue of age and ask how the client would react if they found a well qualified older candidate—would they consider an interview? Ultimately, the choice is up to the client. However, as another informant noted, the consultant might be able to "persuade a client that a 55 year old has the skills and experience necessary to do the job."

The importance of age as a factor in the selection process is correlated to the level of the position being filled

A second finding volunteered by almost all the informants dealt with the correlation between age as a factor in selection and the level of the position being filled. The higher a position is in the organizational hierarchy, the less age is a problem. Conversely, at the more mid-level, primarily managerial positions, older aged candidates are still viewed as somewhat problematic.

Informants offered several reasons for this. Generally, top executive level positions now require experience in a broad number of field and business functions. This type of experience is generally found primarily among candidates who have "20–25" years experience as noted by one consultant, and who are usually "over 45." On the other hand, a company interested in hiring a mid-level manager seems to be influenced primarily by the growth potential of candidates. On this issue an older candidate is doubly handicapped as: 1) the company would question that individual's potential if at age 50, he or she had risen only to a mid-level position and 2) the older candidate is perceived as having fewer years to contribute to the organization.

One informant raised the importance of age as it relates to successful corporate succession planning. An example might be that of a controller who is hired with the expectation that he might eventually assume the position of Chief Financial Officer, perhaps fifteen years hence. If that controller is older when selected and even more so upon attaining the executive level position, "This creates problems for the continuity of the company." It was this informant's opinion that, "This is not age discrimination but rather the important business function of succession planning."

The demand for skills, particularly in a turn-around business situation downplays the importance of age as a factor in selection

Almost all of those commenting on current trends and practices noted that in a recruiting assignment where special skills are required age is not a factor in selection.

"If you're a geologist in the far west, age doesn't matter at all." Another mentioned that an individual with both data processing and management skills faces a demand market in which age is seldom a factor.

"In an age of specialization those with special expertise will be valued regardless of age."

A second situation in which age is usually a neutral factor occurs when a company faces a crisis situation and a new leader needs to address immediate problems to turn-around company losses.

"In this situation, experience and ability count highly over such factors as age."

Executive recruiting assignments can involve a specific client request for an older executive

Specific requests for an older executive, although rare, tend to occur around particular situations. Over half those surveyed mentioned that in some companies younger executives (or a younger family member in the case of a family controlled business) are not yet ready to assume the top position upon retirement of the former Chief Executive Officer. As an interim measure, an older executive is brought in both to stabilize the company and aid in training the up-and-coming younger executive. Sometimes these executives are recruited from the ranks of the recently retired.

Other situations mentioned included the following:

One informant noted his firm's move into the area of recruitment for members of Board of Directors. Here, in his opinion, retired executives are viewed as a valuable resource.

In a current search one consultant was conducting, age is viewed as an asset because many of the client company's personnel are longtime employees.

Another consultant viewed newly emerging high risk companies as potentially interested in older managers who can offer experience as well as a balance in the age composition of top leadership.

There are specific problems which still affect a company's willingness to hire older executive or managers

Two types of problems associated with hiring an older executive or manager were reported:

(1) Those dealing with the issue of pension costs and requirements. Simply stated older executives and managers may require a greater corporate pension contribution over a smaller number of years in order to provide benefits upon retirement. A vesting requirement of 10 years may prove problematic if a 57 year old candidate is presented to a company where retirement at 65 is the norm. As several informants noted, this affects the mobility of older executives and managers as well, by curbing their willingness to leave one firm for another if they have not yet vested in a retirement plan. This problem tends to vary with the level of the position being filled. At the senior level the types of candidates appropriate for these positions are more likely to be greatly experienced, older and vested in a company's pension plan. This tends to downplay the issue of retirement policies in the hiring process and increases the mobility of the candidate. On the other hand, managerial level candidates may be viewed as costly and less mobile due to pension considerations.

Foreign-owned companies are generally perceived as being more receptive to older executives and managers

Of the eight informants who commented on this issue, all agreed that age was often less a factor in foreign-owned or foreign-based companies than in American-owned companies in the United States. Particular regions or countries mentioned in this context were Western Europe, South America, Saudi Arabia and Japan. One informant noted that older candidates are often valued in a multi-national corporation as they are more likely to have the international diplomacy skills required.

Somewhat qualifying this finding however, was the additional observation that foreign-owned companies often adopt the policies, practices and attitudes of their American counterparts if located in this country. Subsequently, attitudes toward the hiring of older executives and managers may follow the prevailing patterns in this country.

The age of executives and managers being recruited will continue to increase in the future

Citing the general aging of the workforce, most consultants felt the trend toward considering and hiring older managers and executives will continue to increase in the future. Individual comments are instructive:

"As business becomes more complex in the future, experience will become even more important"

"The average age of executives and managers will naturally increase over the next 5–10 years. Women currently lower the overall average of those positions but as they age, they will add to the increase in age"

"As retirement becomes more variable, we will probably see a greater number of people retiring early from one company and stepping into another"

"60–80 percent of senior management positions are currently filled by those aged 45–60. In the very near future, a shortage of workers in this age group is projected, possibly reaching a low of 11–18 percent. This might put a premium on age."

Two informants noted that trends placing a higher value on older executives and managers must be balanced by the need to accommodate younger workers.

One of the most optimistic assessments of the future came from a consultant who currently sees little in the way of positive attitude changes toward older executives and managers. Given the changing nature of business, pension and retirement policies, he concluded, "I'm optimistic about a future in which older workers will be more sought after."

The approximate ages of the oldest executive or manager recruited and hired by the search firms were all 55 and over

The oldest ages were reported as ranging from 55 to 65. The average age of those recruited over the past two years ranged from 40 to 50.

DISCUSSION

Overall, the survey of top executive recruiting firms reveals an increasing tendency among businesses to view age as a neutral factor when seeking new management and executive personnel—at least up to a certain age. Indeed, the trend away from youth toward maturity and experience renders age a potential asset, particularly at the highest levels of management.

It is difficult to assess the exact year at which a candidate's age becomes a factor in the selection process. The survey addressed this issue by questioning, "Is there a particular critical age beyond which it would be extremely difficult to place an older executive? An older manager?" Ten out of fifteen of those surveyed felt it was not possible to name such an age, as it depended on the needs of an organization and the skills of a candidate. Only one respondent felt that age was never a critical factor; two respondents mentioned age fifty-five, and two mentioned fifty-eight as the critical age limit.

In some situations, the survey revealed that age can become a liability, such as when a mature candidate without highly specialized skills, not willing to serve in an interim position and not fully vested in a retirement plan, seeks a middle management position.

The results of the survey also raise a number of points for further consideration.

There is a need to reevaluate management career paths in many American companies. The traditional view of a career path beginning with a new, young recruit who moves up through the ranks to middle management and then to a very senior management position, may no longer reflect reality. The increasing flexibility and mobility of individuals today may result in company or career switches at ages traditionally associated with career stability. For example, a fifty year old mid-level manager may have risen to that position after switching careers at age 35. That individual may also desire to work as long as possible, well beyond what is considered the normal retirement age. Given those two factors, he or she may represent an excellent "growth potential."

A rethinking of corporate career paths may aid in more realistically assessing the effect of an upwardly mobile career ladder. "The average length of time a person spends at one level of responsibility within a company is 2.6 years" noted one research consultant. Despite this rapid rate of advancement, not everyone can become the Chief Executive Officer, regardless of their growth potential. A stronger emphasis on talent and the ability to do the job might be more important than promotability factors. One consultant noted that this change is already occurring: "Companies now are looking to hire a person with knowledge and ability to do the job now, rather than in the future."

Second, there is a need for more education of the business communtiy on the skills of older employees—particularly those over age 55. It was apparent in the survey that a certain amount of aging information was reaching the business community. Many were quite sophisticated about the general aging of the population and its potential short and long-term effects on the labor force. Translating this knowledge into changed attitudes, and subsequently changed company practices however, may require a more focused educational campaign aimed at business leaders.

Third, the potential proactive role of the executive search consultant was addressed by several of the informants in this survey. This suggests another avenue for educating employers about the assets of hiring older executives and managers. Executive search consultants, armed with information about older executives and managers and sensitive to change career paths, may prove to be effective change agents, particularly when dealing with mid-management level assignments.

Finally, the complementary issues of executive retirement ages and pension policy are highly complex factors affecting the feasibility of placing mature managers and

executives. Early retirement patterns, and vesting requirements enter into the decision equation in the hiring of older managers and executives, whether correctly or not, and may increase or detract from the likelihood of a decision to hire.

In conclusion, the survey seems to indicate a trend toward greater openness in considering mature candidates for top level executive positions. These indications offer some reason for optimism regarding future hiring practices of older managers and executives.

ACKNOWLEDGEMENTS

This survey was conducted by Carol Cronin of the Employment and Retirement Division, Andrus Gerontology Center, under the direction of Dr. Pauline Robinson.

EXECUTIVE RECRUITING FIRMS PARTICIPATING IN THE SURVEY

Billington, Fox & Ellis, Inc.; Canny, Bowen Inc.; Coopers and Lybrand; Eastman & Beaudin, Inc.; Ernst and Whinney; Richard Fleming Associates; Haley Associates, Inc.; Heidrick & Struggles, Inc.; Ward Howell International, Inc.; Korn/Ferry International; MBA/Keating, Grimm & Leeper; Peat, Marwick, Mitchell & Co.; Russell Reynolds Associates; Spencer Stuart & Associates; and Arthur Young Executive Resources.

The CHAIRMAN. If I may draw on something, I have a nephew who graduated with honors in engineering from Stanford University with a Ph. D. He went into the field of research and was associated with GE along with other employees, then he went with GE in Schenectady where he worked for 2, 3, 4 years. He had a lovely home, a wife, and two children and he was getting along well, but wasn't going up the ladder administratively. So he made a study and concluded that very few engineers progressed administratively in the larger companies. And so, with a kind and cooperative wife, he sold his home, resigned from his job and now, at 34 years of age, is half way through with honors at Harvard Business School.

Would you say he increased his likelihood of growing administratively?

Mr. ULRICH. I have a son who did exactly the same thing, except he didn't wait as long. I will comment on that, though. If you look at the Fortune 100 companies, I think you will find 40 to 50 percent of them have engineering degrees. Engineering is a fine discipline for moving into the top management ranks, however, I think what can happen to engineers is that they get so specialized and valuable in what they are doing that many tend not to move up in the administrative ranks. Your nephew made a very strong, tough career decision to give up an excellent job and go back to school for 2 years; it is costly and time consuming. But, after graduation from business school, your nephew will be viewed in a different light by whoever is going to be looking at him. I can guarantee he is going to have many interesting job offers when he gets out of Harvard Business School.

The CHAIRMAN. Go right ahead, Dr. Pursell.

STATEMENT OF DONALD E. PURSELL, PH. D., DIRECTOR, BUREAU OF BUSINESS RESEARCH, UNIVERSITY OF NEBRASKA-LINCOLN

The CHAIRMAN. We are pleased to have your statement.

Would you like to put your statement in the record?

Mr. PURSELL. Yes, if you would, please.

The CHAIRMAN. Without objection, it will be received.

Mr. DAUB. Mr. Chairman, if I might interrupt. I am going to go make that quorum call, if you will forgive me. I want to say that I

particularly appreciate the staff's arrangements for Dr. Pursell to be here who is, of course, from Big Red Country, University of Nebraska, and part of the State which I am proud to represent.

We are delighted that you are here. I do have to vote. I will try to get back directly.

The CHAIRMAN. Very good. Thank you very much.

Go right ahead, Doctor.

Mr. PURSELL. As a member of a business school faculty, I can recommend the MBA highly. I know there was some discussion about it this morning.

I want to underscore what has been said here today from the perspective of demographic trends which are developing and are occurring in our country, and there is little we are going to do to change this over the next 15 or 20 years, short of a massive immigration policy, which I doubt we will undertake. But we are going to experience a slowdown in the rate of growth of our labor force. We have been used to absorbing 2, 2½, and 2⅔ percent increase in the number of people in the labor force during the 1970's, and that is going to change substantially in the 1980's and 1990's, but it is going to change almost imperceptibly at a slow pace to the point where come the 1990's we will be experiencing increases of about 1 percent a year.

Now, I want to emphasize, I am not saying that the United States will experience absolute decreases in its labor force, we are still going to grow in terms of the number of people in the labor force. The labor force simply will not grow as fast in the 1980's and 1990's as in the 1970's.

The demographic factors behind it are two. One, of course, is the birth rate. The total number of births peaked in this country in about 1960–61, roughly 4 million. It went down from there until about 1973, small changes for 2 to 3 years, and then again increased very slowly. Today we are at the peak of those entering the labor force, so we can expect a diminishing crop of 20-year-olds year after year. And this will occur right through until 1996, referring to the most recent projections made by the Bureau of the Census.

This is one important demographic factor. The other factor which I believe most experts agree is going to play a large role in our labor force growth, it will be the slowdown in the increase of the female participation. We have gone from one-third of the females over 16 in the labor force in the early 1960's to more than one-half in a very short time; a substantial change. The female participation rate will continue to increase in the 1980's and 1990's, but not at the same rate as in the 1970's.

During the 1970's the number of females entering the labor force increased at times as much as 4 percent a year—4 percent compounded. This rate will diminish in the 1980's and 1990's. It means we are going to have a lower unemployment rate, larger wage increases, and in some places a shortage of workers. Some calculations indicate we will have a negative unemployment rate. I don't think that is likely to happen because of various substitutions that will take place, but nevertheless, it is going to be a vastly different labor market in the 1980's and 1990's than what we experienced in the 1970's.

I think there are some very definite policy recommendations which I would like the committee to examine which can affect all segments of the labor force in the next two decades.

The CHAIRMAN. Excuse me, Doctor. I heard the other day from someone knowledgeable in respect to social security to say that around 1990 he thought would be a more favorable situation for social security.

Are some of these elements that you are talking about in that picture, as you see it?

Mr. PURSELL. That is possible, if we are successful in getting more of our senior workers, our older workers to work, and if we get them to work longer. That is one of the policy areas which I think needs some attention.

I suggest that with these tighter labor markets, it will be intolerable to use labor inefficiently, the waste will be considered one of the most undesirable things corporations can do. We heard testimony here this morning that corporations are now beginning to discover the advantage of the older worker. I think it is going to be to their profit to do so. Using senior workers will be in business' best interests and profit never hurts.

We have already heard testimony this morning—and I certainly would support this point of view from my work, that retirement laws should be abolished.

I think there are certain other factors we should examine. We have a public employment and training program in this country. It has been focused primarily upon youth because of the problems in absorbing the babyboom. Now the United States will experience a decrease in the number of 16- to 24-year olds in the next few years while there will be an increase in the number of persons over 65. I think we should redirect the resources of our public employment training policies toward such areas as second and third careers.

We had a program in our part of the country—I suppose it has been in effect elsewhere too—where job fairs have been arranged. Corporations send their personnel directors and meet with prospective employees to explain what their firm has to offer.

The job fair concept was applied to the senior workers, and it was very well received by both groups. Employers were encouraged with what they found at fairs for senior workers. I would say this is another area in which we need to focus more attention. We need counseling for senior workers. We need counseling on how do you go about getting a second and a third career or retain employment. Job fairs help in this regard.

We have already heard testimony this morning about the importance of job sharing and flex time and I think you will see more and more of that. I just want to underscore in the next 15, 16 years this population age 16 to 24 is going to decrease by approximately 4 million. While the population over 65 it is going to increase about 3 million. These are the latest projections that I have been able to obtain from the Bureau of Labor Statistics. They indicate that these new trends are well in place and they are going to continue.

I like to tell students that the trends in any one year are really not all that significant in a labor force of 100 plus million. But when you add 5 years together, 10 years together, then you get the

compounding effect, and by the time you get to 1985 or 1990 the situation has changed substantially.

I would simply like to conclude here with one observation. The United States is in some sort of recession and probably has been since 1980. It has been an off and on affair. The previous recession of the midseventies, produced an unemployment peak of 9.2 percent of the labor force. The 1981 labor force is changed, it is different, it is larger. The unemployment rate today is 7.5 percent. This is an indication of labor force change and indicates that we are going to have different labor markets in the eighties and nineties. It means there will be many opportunities for older workers and we must do all we can to insure that they receive adequate attention, especially under the public policy programs.

Thank you.

[The prepared statement of Mr. Pursell follows:]

PREPARED STATEMENT OF DONALD E. PURSELL, PH. D., DIRECTOR, BUREAU OF BUSINESS RESEARCH, UNIVERSITY OF NEBRASKA-LINCOLN

LABOR SUPPLY: THE CHALLENGE OF THE 1980'S AND 1990'S

Approximately one year ago I published a paper which examined the labor force in the next two decades.[1] This paper suggested that by the year 1995 conditions were judged good that the United States would face the prospects of a serious labor deficiency or "shortage." According to calculations made in 1980, this deficiency could range as high as 19 million in 1995—31 million in 2000, depending upon assumptions about population and labor force participation rate changes.

Since publishing that paper, the Bureau of Labor Statistics has revised its labor force participation rates.[2] The revised participation rates boost the size of the labor force as much as 4 million, according to some assumptions, by the year 1995. The lower participation rate series has been revised upwards more dramatically than the higher projection series.

Despite the upward revision in expected labor force participation rates by the Bureau of Labor Statistics, demographic and other factors are strongly suggesting that the United States faces a serious labor deficiency which will develop at some point before the year 2000.

Birth rates

The reasons for this anticipated "shortage" of labor are primarily associated with demographic factors. Oscillations in the birth rate over the past 50 years are responsible for a most peculiar age structure. Rather substantial increases in the number of annual births were recorded following World War II. Annual births peaked at over 4 million in the early 1960's and declined through 1973 before stabilizing and then slowly increasing during the latter years of the 1970s. Most of those born in the so-called post-World War II "baby boom" have now been or are about to be absorbed into the labor force. Consequently, the rate of increase in labor force participation will drop dramatically during the 1980s and 1990s. This decrease in the rate of increase is cumulative and works much as compound interest works, only in this situation it operates in reverse. A single year's decrease by itself is relatively insignificant in an overall labor force of more than 105 million, but the total effect of five years of decrease will be substantial.

Slowdown in the number of females entering the labor force

A second factor which will contribute to a slowdown in the expansion of the United States labor force is the female participation rate. Labor force participation rates for females have increased dramatically since 1962. Of females 16 years and over, approximately 51 percent are now in the labor force, leaving fewer and fewer in school, retired, or out of the labor force. The rate of increase in the female participation rate is expected to slow during the 1980s and 1990s. It is a matter of un-

[1] Donald E. Pursell, "The Beginning of a New Era: The Transition from a Labor Surplus to a Labor Short Economy," Thrust, Journal of Employment and Training, Summer-Fall 1980.

[2] Howard N. Fullerton, Jr., "The 1995 Labor Force: A First Look," Monthly Labor Review, December 1980, pp. 11-21.

certainty as to when this rate will begin to slow and to what extend the rate of increase will drop, but there is general agreement that the female labor force participation rate will not expand during the 1980s and the 1990s as it did during the 1960s and 1970s.[3]

The impact of demographic factors and the slowdown of the female participation rate is well illustrated by the new labor force data developed by the Bureau of Labor Statistics. According to Fullerton, labor force participation rates for both sexes increased an average of 2.67 percent over the period 1975–79. They were projected to increase at the annual rate of 1.8 percent over the interval 1979–85, declining further to an annualized average rate of 1.25 percent 1985–90, and finally falling to as low as 0.83 percent increase per year over the interval 1990–95. These projections represent the middle growth pattern charted by Fullerton and are summarized in Table 1.[4]

TABLE 1.—LABOR FORCE PARTICIPATION RATES, AGE 16 AND OVER ANNUAL AVERAGE

[In percent]

	Actual 1975–79	Projected			Percentage change 1975–79 to 1990–95
		1979–85	1985–90	1990–95	
Total	2.67	1.86	1.25	0.83	−68.9
Male	1.70	1.11	.70	.52	−69.4
Female	4.06	2.85	1.91	1.18	−70.9

Source: Howard N. Fullerton, Jr., "The 1995 Labor Force: A First Look," Monthly Labor Review, December 1980, p. 13.

Slower labor force growth

It is important to note that the female labor force will continue to grow during the 1980s and 1990s, but at a substantially reduced rate. In the 1990s, for instance, this rate of increase will be 70 percent below the rate recorded over the interval 1975–79.

The rapid and continual expansion of the labor force typical of the 1970s is ending. The rate of labor force expansion in the 1980s and 1990s will diminish to a crawl compared to the 1970s.

Compared with the 1970s, labor force growth is going to be very meager. When the annual rate of growth over the interval 1990–95 is compared with the period 1975–79, there is a 68.9 percent decrease in the annual rate of labor force growth. Growth industries requiring large numbers of new individuals will likely look to the 1970s as representing a "golden period" in which the number of new labor force participants increased rapidly. I note less enthusiasm in 1981 than in previous years for a teenage minimum wage among large users of such labor.

If the date for females are examined separately, the increase in their labor force participation rates could drop as much as 70.9 percent over the interval 1975–95. Female participation rates increased at an annual rate of 4.6 percent over the period 1975–79, an incredible rate of expansion year in and year out. New projections (again using the middle projections) indicate that female participation rates will increase at 2.85 percent over the interval 1979–85, 1.91 percent per year over the interval 1985–90, and decline further to 1.18 percent over the period 1990–95.

Assuming that the economy continues to grow in the 1980s and 1990s as it did in the 1970s, employment will expand. The economy recorded solid economic growth in the 1970s, although total decade growth was below that recorded in the 1960s. An expansion of employment conditions similar to that experienced in the 1970s into the 1980s and 1990s does not seem unreasonable.

Labor deficiencies

Using the revised (1980) Bureau of Labor Statistics participation rates, the United States should experience full employment or more than full employment by 1995. If the most optimistic labor force participation rate is attained, and if employment continues to expand as it did in the 1970s, simply projections suggest that unem-

[3] Howard N. Fullerton, Jr., "The 1995 Labor Force: A First Look," Monthy Labor Review, Dec. 1980, p. 13.

[4] Paul O. Flaim and Howard N. Fullerton, Jr., "Labor Force Projections to 1990: Three Possible Paths," Monthly Labor Review, Dec. 1978, pp. 25–35.

ployment will be virtually nonexistent by the year 1995. If labor force expansion is slower, there could be as many as 7 to 14 million jobs for which workers are unavailable. These various assumptions are shown in Table 2.

The mechanical projections outlined above suggest negative unemployment rates by 1995 or sooner. Conditions could develop to produce sharply lower unemployment rates by as soon as 1985. There will always be some positive unemployment in a growing dynamic economy, so-called frictional unemployment, but it seems quite likely that unemployment rates in the 1980s and 1990s will be substantially lower than those recorded in the 1970s.

TABLE 2.—PROJECTED LABOR DEFICIENCY 1995

	Population series		
	I	II	III
Participation rate (millions):			
High	0.3	−0.7	[1] −1.6
Intermediate	[1] −7.1	[1] −8.1	[1] −8.1
Low	[1] −12.4	[1] −13.4	[1] −14.4
Unemployment rate (percent):			
High	.2	[2] −.5	[2] −1.2
Intermediate	[2] −5.3	[2] −6.2	[2] −6.2
Low	[2] −9.8	[2] −10.7	[2] −11.6

[1] Negative unemployment (in millions), i.e., more jobs than workers.
[2] Negative unemployment rate.

Results of the transition to a labor-short economy

The labor-short markets of the 1980s and 1990s will produce lower unemployment rates and generate faster wage increases. Employers will be forced to use labor more efficiently. Some firms operating in labor markets where unemployment rates are as low as 3 and 4 percent have already adapted to a tight labor market by using sources of labor supply previously neglected. Such groups include the aged, the handicapped, and mentally retarded workers who can be trained to function effectively. During the 1980s and 1990s as the rate of unemployment declines, firms will not only use nontraditional sources of labor to augment their labor supply but they will also take steps to substitute capital for labor. This will help ease the situation as will a more liberal immigration policy.

Use of different labor sources and capital substitution will help in making the transition toward tighter labor markets, but there are a number of other steps that can and should be taken to ensure our continued economic prosperity during the next two decades. In my opinion, employers should review all retirement and child labor laws and policies with the view of easing these restrictions where safety and efficiency permit. Mandatory retirement laws should be abolishd in most cases. Firms should realize as some are beginning to, that older workers are an important labor supply asset. Older workers are experienced and more reliable in terms of getting to work each day. Some firms recognizing this have established job fairs where employers actively explain their programs to older workers.

In some cases, older workers and younger workers would like to work, but not necessarily 40 hours per week. The introduction of flex time and job sharing can enhance labor supply.

In some occupations it may be considered wise to force retirement at, say, age 70. My occupation—college instruction—may be such an occupation, where some turnover is considered necessary for the infusion of new ideas. There may be other occupations where retirement will be encouraged. For persons encouraged to retire, second careers should be actively promoted. There is no reason why college professors should not be able to find some rewarding or satisfactory second careers.

Public employment and training policy should focus upon the changing demographic nature of the labor force. Past policy has centered on unemployed young persons, and while this will likely remain a persistent problem for years to come, the development of second careers and guiding older workers into these careers should become an important dimension of employment and training policy.

Demographic trends imply that the 16-24 age segment of the population will decline by nearly 4 million in 1979–1995, while the population 65 and over will in-

crease by more than 3 million.[5] Public policy should devote an increasing proportion of its resources toward aiding and assisting the older worker. We must also rethink what age groups do certain jobs. Reserving traditional jobs for young persons or older workers will be obsolete in the 1980s and 1990s. Why not have senior paper carriers? Service might improve.

Summary and conclusion

The transition from a labor surplus high unemployment to a labor deficient low unemployment economy will be gradual and unsensational. The projections and conditions developed here are presented only as a guide to what likely will happen. While conditions suggest that there may be more jobs than workers, remember that markets adjust to shortage conditions very effectively and efficiently. My projections are not presented as absolute predictions but as a guide to understanding what is happening to our labor force. Substitutions and increased immigration will reduce the pressure, but despite these changes and adaptations by the labor market, a number of experts agree that unemployment rates will decline during the 1980s and 1990s and employers will have to scramble for labor supplies.[6]

Perhaps one of the best indications of the trend developing toward lower unemployment rates and tighter labor markets is the current unemployment rate. During the 1974–75 recession, unemployment was 9.2 percent of the labor force. During the current economic recession extending from 1980 through 1981, unemployment has yet to exceed 7.5 percent. The labor force is larger by approximately 10 million workers yet the rate of unemployment is more than 1½ percentage points lower than it was during the last recession. This is a rather convincing indication that the transition from a period of labor surplus to one of labor deficiency has already started.

The CHAIRMAN. Thank you very much, Doctor.

Mr. Ulrich, there used to be an emphasis made on the youthful management among American corporations. Is that changed? And if so, why?

Mr. ULRICH. I think youthful management as such is not as important today as it might have been in some people's minds 10 or 15 years ago. In other words, as I understood the question, the corporations used to pride themselves and say, our average management is 36 years old. I happen to remember an article in one of the major business magazines about one of these wonder companies that had management of with an average age of 36 and this was in the late 1960's. Subsequently, they went down the tube very fast in the early 1970's. That type of experience changed a lot of people's minds about youthful management. I think some of the bloom is off the rose.

But, make no mistake, there is still strong demand for good, aggressive, bright young managers, and that will continue, and well it should, because it will provide the added vigor and vitality needed to move this country ahead.

On the other hand, I think if there is a corporate management that one would pick today as the more desirable, it would be one which has seasoned, strong, aggressive management rather than one which is young and dynamic.

The CHAIRMAN. I recall the Smith Barney advertisement used an older man, the idea of stability, wisdom, that sort of thing. In other words, you mentioned that occasionally you encourage your clients to consider hiring an older executive, when do you most likely do this? When are you most likely to do this?

---

[5] Howard N. Fullerton, Jr., "The 1995 Labor Force," Monthly Labor Review, Dec. 1980, p. 14.
[6] Richard Easterlin, "Birth and Fortune" (Basic Books), 1980; and Chase Econometrics, "Long Term Economic Forecasts" (various issues).

Mr. ULRICH. Mr. Chairman, it is really a function of each individual situation. I mentioned in my statement that the more stringent the technology or the more sophisticated the technological requirements are for the job, or the more senior the position, the more apt they are to go with an older person.

When we perform a search, we may contact as many as 200 people in our efforts to find individuals with the desired qualifications. Some may not want to move; others may not be interested. We narrow this group down by our own judgment as to who best meets the specifications. If we come up with someone 59 years old who meets these qualifications, we will go to our client and say, "one of the best persons we have identified is this individual." More often than not the client will say "I'll see them." I can't name any one situation. We do, interestingly, get clients who tell us they want an older individual. We have been working for one of the top 10 corporations in the United States who wanted a very senior executive brought in. They specified age 59 to 62 as being most desirable. So, sometimes it is the client who is specifying the age.

The CHAIRMAN. Thank you very much.

Dr. Pursell, should businesses begin to alter their hiring and retiring policy now to avoid shortages of workers in the future or should they wait until those shortages appear?

Mr. PURSELL. I don't think there is any other way. I think we need to move ahead on the problem right now. I believe the problem will be very obvious in a matter of 2 or 3 years. Don't delay.

The CHAIRMAN. By the way, let me go back just a minute. You heard me tell about the president of the company that said they were going to retire him at 65 and he was 63 and he didn't want to retire. Do you find more chief executives of companies disposed to stay on longer if they can do so?

Mr. ULRICH. I think that is true. Arm and Hammer developed a huge corporation—Occidental Petroleum—and I believe he started when he was in his early 60's with a very small corporation. D. L. Ludwig is in his 80's and he runs a huge empire.

By and large, I think many corporate executives would like to stay on after 65, but each individual corporation's board of directors has it policy on retirement which may or may not provide for this.

One can't determine when the most productive years of a given individual will end. By having an arbitrary or fixed retirement age for senior executives, the flow of managers moving up through the company can continue. If you fix the top job and, say, somebody stays 25 years as chief executive, a lot of young managers who are needed for the future are going to conclude they are boxed in, and will move somewhere else.

Each corporation has their reasons and their plans, for fixing retirement ages for executives and a number of corporations do keep their chief executives on longer.

The CHAIRMAN. Would you suggest that we reconsider the amendment that we accepted that our added mandatory retirement bill does not apply if you have a pension of over $27,000 a year?

Mr. ULRICH. I personally think there is merit to that amendment, Mr. Chairman, in the sense that the top executives of corpo-

rations have the responsibility for the success of their respective organizations. If their organization doesn't succeed, and we sometimes see what happens when it doesn't, thousands of people can lose their jobs. The point is that organizations must have flexibility in determining who is going to direct their affairs. I think there is good reason for the amendment that you accepted, in my own personal judgment.

The CHAIRMAN. Dr. Pynoos, as a researcher in the field of gerontology, is there any reason why an older person would not be capable of holding the top executive position in a firm?

Mr. PYNOOS. On the basis of the evidence, it depends on individual qualifications. The research has shown that older managers have decisionmaking skills as good if not better than young workers. So, I would say that older executives are certainly equal in terms of intellectual skills and decisionmaking abilities as their younger counterparts. Also, in terms of health, older people of the next generation are going to be in much better health than even the previous generation. This will allow them to choose to work longer in executive positions.

The CHAIRMAN. We have a very distinguished member of our staff, Dr. Stephen McConnell, and he has been of great help to us. He has done a marvelous job. He is sitting here behind me. He carried the weight of the organization of this hearing today, which I think everyone agrees has been a very excellent hearing. And we are fortunate to have someone of the excellence of the Andrus Center here.

Mr. Walter Guntharp is the chief counsel for the minority of our committee who has indicated he had some questions he would like to ask.

Mr. GUNTHARP. Mr. Daub would like to know if he can ask Dr. Pynoos some questions to be entered into the record following the hearing.

The CHAIRMAN. Would that be agreeable?

Mr. PYNOOS. I will be pleased to answer the questions.

The CHAIRMAN. Well, gentlemen, we can hardly thank you enough for the excellent contribution that you made here this morning. It makes the country and the prospect of the future very much brighter for the older people in the years ahead, instead of being shunted aside and neglected and ignored and unwanted. There is a need for them and that is exactly what they want, to feel wanted, feel needed. If someone were to drag me out by my toes and not allow me to do the things that I think may be helpful to my country and family, I would be a very unhappy man.

Thank you all very much.

[Whereupon, at 12:55 p.m., the hearing was adjourned.]

APPENDIX

WM. WRIGLEY, JR., CO.,
Chicago, Ill., October 20, 1981.

MR. STEVE MCCONNELL,
Professional Staff, U.S. House of Representatives, Select Committee on Aging, Washington, D.C.

DEAR MR. MCCONNELL: As we discussed yesterday, enclosed is a copy of the statement Mr. William Wrigley would make to the Select Committee if he were to testify on October 28. Mr. Wrigley regrets that his schedule makes it difficult for him to appear personally to deliver this message.

If you and the chairman believe it is appropriate and informative, you may wish to enter Mr. Wrigley's statement into the Record of the Hearing of the Selected Committee on Aging.

Thank you for taking the time to talk with me on the telephone. If I can help in some other way, please let me know.

Sincerely,

EDGAR W. SWANSON, JR.,
Vice President-Personnel.

STATEMENT BY WILLIAM WRIGLEY

My name is William Wrigley. I am president and chief executive officer of the Wm. Wrigley Jr. Company headquartered in Chicago, Illinois. The Wrigley Company manufactures and markets brands of chewing gum in the United States and most countries of the free world. Although the Wrigley Company is classified as a Fortune 500 company, it is relative small when measured in terms of employment. Out of a total of 6,300 employees worldwide, 3,700 work for the parent organization and associated companies in the United States, while there are 2,600 employees of associated companies in other lands. Wrigley's is a stable employer with a relative small turnover. The average years of service is 9, and 34% have been employed for 10 or more years.

Chewing gum is a little product which sells at a modest consumer price in a highly competitive marketplace. In order to be successful, the Wrigley Company must produce and market a large volume of chewing gum efficiently with a highly productive workforce. Because the Wrigley employment population is small and quality performance is essential, the company has devoted attention to policies which help to insure teamwork, personal dedication and identification with the general objectives of the company. For instance, in 1964 I issued the following statement:

"The government wishes to insure that the best talents and abilities of the nation's manpower resources are utilized most advantageously. Basically this is just exactly how your company feels, and has always felt, as any business must if it expects to keep from going broke. Certainly, you can't expect to get very far if you don't hire, promote, and in those cases where it is necessary fire, strictly on a business basis, which means on an individual's qualifications, abilities, and performance, regardless of any other possible considerations."

This statement is part of the company's policy with respect to nondiscrimination in employment. I mention it because it accurately reflects the thinking of the management of the Wrigley Company with respect to all employees, including those who might be classified as older persons.

In 1936 the Wrigley Company established a retirement plan for all full-time employees as a supplement to the newly enacted social security program. We set the normal retirement age at 65 to coincide with social security, but did not institute any practice of mandatory retirement. Following the end of World War II the company began implementing its plans for expansion in the post-war market, and in 1950 reviewed its policies and practices with respect to retirement. We were cogni-

zant that success depended on a dynamic, industrious workforce, and that chronological age was at best an approximate measure of a person's capabilities and energy. In keeping with our principle of treating people as individuals, my father, Mr. Philip K. Wrigley instituted a program which permitted and in fact encouraged employees to continue working beyond their normal retirement age.

If any employee kept on working after reaching age 65, he would take one month's leave of absence without pay during the first year, two months' leave of absence without pay during the second year and so forth in addition to his regular vacation period. At the same time we amended our retirement income plan so that an employee's retirement income increased each year that retirement was delayed. By handling post-normal retirement cases in this manner we tried to help employees get adjusted to living on a little less income each year, and perhaps of greater importance, we weaned them away from their work with the hope they would find other things of interest to occupy their time. Also, during the progressively longer leave of absence periods, younger people had an opportunity to gradually take on more responsibilities and the company had a better chance to determine whether they could handle them. Last, but not least, the company was able to retain the skills, training and experience of the older employees for a period of years on an equitable and non-discriminatory basis.

Those Wrigley employees who wished to take advantage of this plan continued to work beyond their normal retirement age. They were able to plan according to their needs and continue their careers so long as it was mutually beneficial. Performance of employees who chose delayed retirement was monitored on a regular basis, and voluntary physical examinations were offered to assure that working was in the best interests of both the employees and the company.

When Congress enacted amendments to the Age Discrimination in Employment Act in 1978 the company again reviewed its policies and practices relating to retirement. To assure that employees included as an affected class under the law were treated in a non-discriminatory manner and that the best interests of individual employees as well as the company were served, several steps were taken.

A pre-retirement counseling program supplementing regular performance reviews was established with trained professionals from the company's personnel department to interview all employees aged 54 and above on a periodic basis. The purpose of these interviews is to determine at a relatively early date how each individual perceives his job, relationship with the company, personal performance, future ambitions and plans for retirement.

The result of each interview is discussed with concerned supervisors and managers to determine if an employee's opinions, attitudes and perception of performance correspond with those held by persons accountable for the work of that employee. Where there is no difference, the company incorporates each employee's wishes in its overall manpower planning program.

In some instances an employee may be planning early retirement, and his skills are needed by the company. The employee's supervisor is encouraged to meet with the employee and outline the company's needs in hopes that plans for early, or even normal retirement may be modified.

In some instances an employee's skills, abilities or energy may have decreased to a marginal or unacceptable level. When this occurs, the company medical director is consulted to determine if there are objective medical reasons for the deficient performance. If the problem is not medically related, that employee's supervisor, with the support of the personnel department, meets with the employee to frankly discuss the shortcomings and determine what, if anything, can be done to improve performance.

The year before retirement occurs the company conducts day long meetings with employees and their families to help prepare them for the change in their lifestyle. This meeting is devoted primarily to understanding the purpose and value of Wrigley benefits, social security benefits and financial planning.

Finally, the Wrigley Retirement Plan was amended to give employees a choice when they reach their normal retirement age. An employee may voluntarily elect time off without pay under the same conditions as the plan established in 1950. If an employee chooses not to take time off, he may continue to work as long as performance is satisfactory, but pension benefits are frozen at normal retirement age.

I believe it is essential for our nation to better learn how to use the efforts and skills of older citizens. If current birthrates are maintained, and we hope to continue to increase the nation's Gross National Product as well as our standard of living, there will be a shortage of skilled workers in this country. The largest body of unused talent in the country today is comprised of those who are retired from active employment. As life expectancy increases this group will grow at a disproportionate

rate to the rest of society. By only permitting this group to consume but not contribute to the production of goods and services for our economy is wasteful and expensive.

On the other hand, the government, business and society in general for the past 45 years has been encouraging the elderly to retire to make room in the economy for the unemployed and for new entrants into the workforce. As a result, we know very little about how and where older people can be most effectively employed. The aging process, with the debilitating diseases coincident with aging is not well understood. These special characteristics of older people will require innovative employment arrangements which will depend on maximum flexibility and freedom to act.

Most business people make decisions based on self-interest. If older people with needed skills and ability can be induced to stay in or rejoin the labor market they will be employed at work to match those skills. The three principal deterrents to achieving this objective are:

1. The unwillingness of older people to seek employment, or perhaps more accurately, uncertainty by this group that they are welcome as employees.
2. Ignorance about the most effective ways to employ older people.
3. Rigid regulations concerning the terms and conditions under which older people may be employed.

You will recall that at one time there were many state laws and some federal regulations limiting the employment of women. These had the net effect of restricting employment opportunities for this portion of our workforce. Today many regulations have been issued by the Department of Labor and the Equal Employment Opportunity Commission restricting the terms and conditions under which older people may be employed. Congress should take care to assure that these regulations are not increased, and preferably decreased.

In recent years the Wrigley Company has successfully employed persons who have retired from other companies and sought part-time, temporary employment to supplement pension and social security income. These persons have worked as receptionists in our corporate headquarters, and as merchandisers with our field organization where they maintain the display of our products in retail outlets. As other employment opportunities develop we hope to consider retired people, if a mutually beneficial employment arrangement can be established.

I am certainly no expert on this subject, but I hope this expression of the Wrigley Company's basic philosophy and general experience in this area has been of some assistance to your committee. Thank you for giving me this opportunity to express my views.

PREPARED STATEMENT OF RUTH E. KOBELL, LEGISLATIVE ASSISTANT, NATIONAL FARMERS UNION PRESENTED TO SELECT COMMITTEE ON AGING, U.S. HOUSE OF REPRESENTATIVES

Mr. Chairman and members of the Select Committee on Aging, The National Farmers Union appreciates the opportunity to present this statement on "Employment Policies and Choices for Older Workers."

At the outset, we wish to commend you for focusing on this important subject. These hearings take on added significance because they can provide a blueprint for comprehensive action for the 1981 White House Conference on Aging. Next month, approximately 2,000 delegates will meet to develop policies affecting the elderly of today and tomorrow. One of the cornerstones of that strategy is a clear-cut and effective policy to maximize employment opportunities for older Americans.

Other nations are also feeling the pressures of a larger share of their citizens living longer and moving out of productive employment into a retirement status. I am attaching copies of articles from the New York Journal of Commerce of August 28, 1981 outlining some of the problems developing in Britain, China and Japan which I believe will be useful to this hearing.

The policy statement of National Farmers Union adopted by delegates meeting in convention in March 1981 stresses that our government must take vigorous steps to reach full employment, to dampen inflation rates, and to encourage higher productivity. This is basic to attainment of a balanced federal budget, strengthening of the dollar, and to a healthy national economic recovery. Following is an excerpt from that policy statement.

"Our nation cannot afford to continue along an economic course which results in both high unemployment and high inflation at a time when much work needs to be done in meeting community and environmental needs in both rural and urban areas. The high costs of unemployment are substantial in lost income and tax reve-

nue, lower productivity, and higher expenditures for welfare, food stamps, and unemployment compensation. We can no longer afford the social costs of denying individual citizens a productive place in society."

The National Farmers Union fully recognizes that any national employment policy for older workers will involve several components:

Encouraging the private sector to hire more older workers;

Expanding employment opportunities through community service activities;

Effective enforcement of the Age Discrimination in Employment Act;

Developing and expanding a whole menu of innovative employment options, including flexi-time, increased opportunities for part-time employment, phased retirement, trial retirement, job sharing, and job redesign;

Educating and informing private and public employers that it makes good sense economically and othewise to hire older workers; and

Overcoming barriers that may deter or discourage older Americans from working.

These are all important elements and must be considered in their totality in fashioning a comprehensive national employment policy for older workers. The National Farmers Union plans to concentrate our testimony on one major aspect because of our experience with the Green Thumb program: The need for community service employment, especially in rural areas where job opportunities are oftentimes nonexistent or severely limited.

NEED FOR COMMUNITY SERVICE EMPLOYMENT

This is crucial, we strongly believe, because many older Americans simply do not have a realistic prospect for employment, at least initially, in the private sector because they have limited education and unrecognized or outmoded skills. In addition, millions of older women have no substantial experience in the paid work force or have not worked for numerous years.

The Senior Community Service Employment Program (SCSEP) has enabled these individuals to move into the mainstream of American life by becoming productive taxpaying citizens. We are proud that Green Thumb has been a trailblazer in launching this important employment demonstration.

Green Thumb started out modestly in 1965 with 280 participants in four states: Oregon, Arkansas, Minnesota, and New Jersey. From this small beginning, Green Thumb has expanded to 45 states, the District of Columbia, and Puerto Rico. Today about 22,000 low-income older rural Americans perform essential services in their communities, including weatherizing homes, and country schools, restoring historical sites, and beautifying the countryside. Green Thumb workers are providing staff support for oil recycling programs, gasohol production, and resource conservation. They are building greenhouses, and running community gardens to increase local food production. We have significantly more enrollees than our authorized level because:

Our administrative costs have been kept at a minimum; and

Many older workers have been able to find unsubsidized jobs because of their training and work experience with Green Thumb.

The value and worth of the SCSEP has been amply demonstrated time and time again for older Americans and the communities being served. Clear and convincing evidence exists that there are many older persons who are ready, willing, and able to serve in their communities if given the opportunity. Many projects have eight or nine applicants for each available position. The ratio would be even higher, but project directors do not want to raise the hopes of older persons by advertising the program more—only to have their expectations dashed because a job does not exist.

The need for community service employment is great and growing. Hundreds of thousands of older Americans have been forced on to the poverty rolls in recent years, reversing a long-standing downward trend in the incidence of poverty. This point was made forcefully and emphatically in the advance income report by the Census Bureau, which was issued recently.

More than 5.9 million persons 55 or older were poor in 1980 or nearly 400,000 above the 1979 level. During the past two years, poverty has increased by more than 800,000 for individuals 55 or older, from 5.1 million in 1979 to 5.9 million in 1980. This represents the sharpest jump over a two-year period since poverty statistics were first tabulated.

In July, more than 0.5 million individuals 55 or older were unemployed. This figure, however, probably understates the dimensions of the problems because there is a substantial amount of hidden unemployment among older workers. For exam-

ple, 11.1 million men 55 or older and 19.7 million older women were not in the labor force in July. Assuming that just 10 percent of these men and 5 percent of these women wanted and needed employment—and this would probably be a very conservative estimate—this would increase the "statistical" unemployment for persons 55 or older by almost 2.1 million, from 0.5 million to 2.6 million.

SPECIAL UNEMPLOYMENT PROBLEMS AMONG OLDER WOMEN

Much of the statistical and hidden unemployment for persons in the 55-plus age group is concentrated among older homemakers. Many are discovering that they are ill prepared to adjust to their new roles after the loss of their husbands through death or divorce.

These "displaced homemakers" are oftentimes thrust into the job market when they have little or no recognized marketable skills. Yet, they are frequently too young to retire, and lack adequate retirement income or pension coverage.

Most of these women have developed a wealth of undocumented skills which include management, project organization, budgeting, accounting, public relations, communication, and commitment to an assignment in the process of raising a family, and managing a home on a limited income. Farm women have also often carried on a full range of farm management and production work. Yet neither they or a potential employer or placement officer may know how to fit these skills into a standard employment application. The opportunity to work in a program such as Green Thumb helps to build their self confident and to identify and sharpen their skills.

The harsh reality is that most married women today can expect to be widowed at some time in their lives. On the average they will survive their deceased husbands by 18 years. In 1979, almost 80 percent of all women 45 to 54 were married; 4 percent were single; 8 percent were widowed; and 8 percent were divorced. Widowhood increases sharply with advancing age—to 19 percent for those 55 to 64 years old, 41 percent of women 65 to 74, and almost 70 percent for females 75 or older. Marriage is the exception for older women, rather than the rule. Only 22 percent of all women 75 or older were married in 1979. More than 7 million women 65 or older were widowed, or 52 percent of all older females.

Economic deprivation is more prevalent among older women than aged men. Aged women account for almost 72 percent of all poor persons 65 or older, even though they constitute 59 percent of the elderly population. About one out of every five older women (19 percent) lives in poverty, in contrast to one out of nine aged men (10.9 percent).

THE CHALLENGE FOR THE 1980'S

Title V is needed now more than ever because of the rapid changes in our society and the present depressed state of our economy. President Reagan has acknowledged that our economy has now moved into recession. This will almost assuredly produce significantly higher unemployment.

Our population has also shifted dramatically in recent decades from farms and rural areas to cities and suburbs. Only 1 out of every 35 persons in the U.S. lived on a farm in 1979. The farm population has declined sharply during the past 60 years, from 30.1 percent in 1920, to 15.3 percent in 1950, to 2.8 percent in 1979.

The rapid industrialization in our society has produced significant benefits for society, but it has also caused massive upheaval. Small family farmers have been forced from their land in large numbers since the turn of the century. Many of those left behind were older persons with limited education and obsolete job skills for technologically advanced and fast changing urban society. Some people describe them as the "invisible poor" because they are located in the rural pockets of poverty off the long dusty roads.

The seeds of Green Thumb were planted in the mid-1960's to respond to these serious problems. There were skeptics then who doubted whether older persons would participate in a community service employment program. But 16 years of experience provide clear and convincing that the SCSEP and its predecessor pilot projects have been a smashing success by any standard one would choose to use.

Green Thumb has shattered the myths and misconceptions about older workers. Green Thumb participants have demonstrated beyond any doubt that older Americans can be productive and contributing members in our society.

The concept underlying the SCSEP is very simple. Low-income older Americans help themselves while helping others in their communities at the same time.

Green Thumb workers provide essential community services in rural America, in hospitals, schools, public safety, transportation, energy conservation, food produc-

tion, and numerous other ways. Our enrollees have winterized homes, repaired leaky roofs, rehabilitated tarpaper shacks and made them livable for human beings.

Today, we are focusing greater attention on energy-related services. Green Thumb workers, for example, have replaced rag-stuffed cracks around windows with total new casings and windows. They have installed insulation in homes where there was none. A high priority has been placed on encouraging alternative energy sources, such as solar units and other renewable energy sources.

And Green Thumb workers are learning to use a blow torch and other tools to build the solar collectors as well as install them on the roofs of low-income rural residents, thus improving their employability.

This not only benefits rural homeowners who are faced with rising energy costs but our Nation as well. Most Americans realize that energy prices have risen at record-breaking levels since the oil embargo, but the magnitude of these increases can be shocking. Home heating fuel oil, for example, has jumped by 408 percent from October 1973 to July 1981. Residential heating gas has increased by 226 percent and electricity by 142 percent during this same period. The overall inflation rate, however, has increased by 101 percent during this same period.

CONCLUSION

Our Nation has made significant gains in removing the arbitrary stop sign suggesting that advancing age is the end of the road for employment opportunities. But we still have a long way to go before overcoming negative stereotypes about the desirability and feasibility of hiring older workers.

We believe that all our citizens, regardless of age, should have the right to a job, the right to contribute to their community and to thereby add to the gross national product and to support their government by paying taxes as a paid worker. Present employment patterns tend to discriminate in the employment of older workers and the Age Discrimination in Employment Act has not been effectively enforced to correct these inequities. The Senior Community Service Employment Program is an ongoing demonstration that senior citizens want to work and have the skills and experience to be valued producers of goods and services, whether they live in rural areas, the central cities or the outlying suburbs.

These senior workers have proved that the SCSEP works well for our Nation and older workers. What is needed is a determined effort to build upon the success of Title V—even during this austere period—to enable more low-income older Americans to become gainfully employed and productive citizens.

Title V has been a well-administered program, free of fraud and abuse. Administrative costs have been kept at a minimum because the program is operated efficiently. Wages, fringe benefits, supportive services and related program costs for older workers account for about 9 out of every 10 dollars (88 percent) for the SCSEP. The savings in administrative costs and other areas has enabled program sponsors to employ an additional 6,000 older workers each year.

Finally, Title V is a cost-effective program. A study conducted by Thomas Borzilleri, an economic consultant, found that the program saves $1.15 in public assistance costs for each $1.00 spent. The SCSEP has been evaluated from time to time during the past several years and has always received high marks. The latest example is the staff report of the Federal Council on the Aging which said:

"The Council's study found that Title V is effective. It provides public service employment for many truly needy older persons. The program operates in an efficient manner and its administrative expenses are kept low. The services performed by the enrollees are valuable contributions to the general community and to the elderly community. The program provides income to many persons who would otherwise require public assistance."

For these reasons, the National Farmers Union urges the Committee to reaffirm its support for the Title V SCSEP. This Committee has provided invaluable support in converting the Mainstream pilot project—such as Green Thumb and others—into permanent, ongoing national programs. The SCSEP has grown from 280 enrollees in the mid-1960's to 54,200 positions today, in large part because of the Committee's leadership.

Mr. Chairman, I have also attached a copy of Green Thumb's latest quarterly report to be included in the hearing record. Thank you again for the opportunity to present this statement.

U.S. DEPARTMENT OF LABOR — Employment & Training Administration

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM - QUARTERLY PROGRESS REPORT

PROJECT SPONSOR	REPORT PERIOD ENDING (Month & Year)	PROGRAM NO.
Green Thumb, Inc.	June 30, 1981	41

CITY AND STATE	TYPE OF REPORT (Check One)
Arlington, Virginia (Statewide)	☒ Interim ☐ Final

AGREEMENT NUMBER	SUPPLEMENT NO.	PROJECT PERIOD	
99-0-093-11-52	00	July 1, 1980	July 15, 1981

NO. ENROLLMENT POSITIONS ESTABLISHED		UNSUBSIDIZED PLACEMENT GOAL	
➤	14053	➤	2408

A. ENROLLMENT LEVELS (Number of Enrollees)

a. Carried over from previous period	17071	b. Added to unsubsidized employment this period	Jul 833	Jan 1219	c. Current enrollment (End of Period)	16806
d. Started usual (new enrollees)	3929	e. Other terminations this period	3361		f. Unsubsidized placements (End of Period)	0

B. JOB INVENTORY

SERVICES TO GENERAL COMMUNITY	NO. JOBS	SERVICES TO ELDERLY COMMUNITY	NO. JOBS
I. Education	2830	II. Legal Assistance	373
II. Health and Hospital	709	III. Health and Home Care	527
III. Housing/Home Rehabilitation	377	IV. Housing/Home Rehabilitation	944
IV. Employment Assistance	182	V. Employment Assistance	98
V. Recreation, Parks, and Forests	1337	VI. Recreation/Senior Centers	1061
VI. Environmental Quality	540	VII. Nutrition Programs	2475
VII. Public Works and Transportation	1736	VIII. Transportation	327
VIII. Social Services	1089	IX. Outreach/Referral	1191
IX. Other	836	X. Other	136
X. TOTAL (I - IX)	9676	XI. TOTAL (II - X)	7132

C. ENROLLEE CHARACTERISTICS

CHARACTERISTICS	STARTS (Cum.)	CUR. ENROLL.	CHARACTERISTICS	STARTS (Cum.)	CUR. ENROLL.
SEX: Male	1832	6772	RACE/ETHNIC GROUP: White (Not Hispanic)	3178	13179
SEX: Female	2097	10034	RACE/ETHNIC GROUP: Black (Not Hispanic)	451	2473
EDUCATION: 8th & Under	1549	8048	RACE/ETHNIC GROUP: Hispanic	188	626
EDUCATION: 9th - 12th	848	3538	RACE/ETHNIC GROUP: American Indian or Alaskan Native	63	448
EDUCATION: High School Grad or Equivalent	1071	3907	RACE/ETHNIC GROUP: Asian or Pacific Islander	29	60
EDUCATION: 1 - 3 years College	327	1040	AGE: 55 - 59	1002	2308
EDUCATION: 4 yrs. College or more	114	273	AGE: 60 - 64	1172	4258
Family Income at/below Poverty Level	2940	14787	AGE: 65 - 69	942	4829
Veteran	648	1617	AGE: 70 - 74	554	3305
D. AVERAGE HOURLY WAGE/CURRENT ENROLLMENT	$ 3.66		AGE: 75 and Over	259	2107

E. NARRATIVE REPORT (Attachment) — SIGNATURE — DATE

Persons who finish 17 persons placed in subsidized jobs but not terminated from the program — (Continued from prev. page)

BEST COPY AVAILABLE

[From the New York Journal of Commerce, Aug. 26, 1981]

EUROPEANS BEGIN TO COUNT COST OF LIFETIME WELFARE PROVISIONS

LONDON.—Will the young be able to afford to keep the old at a time when more and more people are living longer?

The problem is not so acute in Western Europe, as in the United States, which faces bankruptcy of its social security system. Most Europeans are cushioned by womb-to-womb welfare provisions. But many of them are starting to question the size of the slice that welfare takes out of a diminishing economic pie.

"Our society has locked itself into providing benefits without having made the economic adjustments necessary to sustain them," British Chancellor of the Exchequer Sir Goeffrey Howe warned in a recent speech.

The aging of America is paralleled in Europe where both demographic shifts and increasing unemployment are reducing the ratio between those working and those receiving benefits from the state.

Given pressure to lower the retirement age as a way of soaking up unemployment, people born in the post-war baby boom may well be preparing to collect their pensions at the turn of the century. If present trends hold true, retired people will by then form between a fifth and a quarter of the population—double the present-day proportion.

In the United States, President Reagan is following the same kind of monetarist policies adopted by Prime Minister Margaret Thatcher of Britain, where there have been hints that the value of pensions may no longer be sacrosanct after a decade in which they have been kept abreast of both price and wage indexes.

Britain already lags economically behind other developed European countries, has lower state retirement and welfare benefits (although it pays less for them) and is trying to climb back to prosperity by making cuts in public spending that are creating hardships and uncertainties for the elderly and the needy.

Mr. Howe said public expenditure on pensions had risen in real terms by over 60 percent in the last 10 years. He warned that "serious tensions" might be provoked by a continuation of this trend.

Amid howls from the Labor Party opposition, Mrs. Thatcher's Conservative government this year is planning to abandon the wage indexing of pensions.

"Real falls in the standard of living are sometimes inevitable," Mr. Howe said.

The feeling that the welfare state has reached its upper limits is growing in other parts of Europe, too, as the economic squeeze becomes tighter in reaction to high interest rates in the United States.

The only way that many countries are going to keep on increasing pensions and other benefits is to increase taxation and compulsory insurance contributions, and run the risk that productivity—and with it the wealth needed to sustain the welfare state—will decline.

"Our welfare society and political stability are in danger and we have to accept decline—otherwise we'll not be able to pay back the money we've borrowed," the governor of the Danish national bank, Erik Hoffmeyer, warned last year.

In few places is the decline of the ratio between working members of the population and welfare recipients, including pensioners, more clearly illustrated than Belgium.

In 1950 there were 4.2 people holding jobs to every person receiving state benefits.

That ratio has now dropped to 1.7 to one, partly because of the 10.6 percent unemployment rate, partly because of the increasing number of people reaching retirement age and partly because of schemes to open up jobs to young people by persuading older workers to retire early.

Four years ago, Belgium's bewildering complexity of 223 state-supported retirement funds were in the black to the tune of $3.4 billion with enough reserves to last them nearly six months.

The funds are likely to be exhausted by the end of this year, leaving them no other choice than to try their luck on national or international capital markets, which already are being extensively skimmed by the deficit-ridden Belgian government.

For all the financial problems looming ahead, welfare provisions in Europe probably give pensioners here more economic peace of mind than that of most Americans of retirement age. The latest figures available show that in 1977 there were 29.6 million pensioners out of the 47.8 million people over 60 in the then nine nations of the European Economic Community.

State pensions range from barely adequate to generous. They are reinforced by free health care and other concessions ranging from free rides on the London

subway to a "pensioner's passport" in Holland that allows holders to attend theater performances at greatly reduced prices.

In the industrially less-developed countries of southern Europe, extended families and private charity assume some of the responsibility for the elderly, since governments cannot guarantee basic social services for all.

In most European societies, however, where families are increasingly nuclear, a pension check tends to replace old-fashioned family care. Yet the state is not always a good substitute for caring relatives or a cohesive social group. A common complaint among old people—particularuly in the big cities—is that they are lonely and sometimes prey to criminals.

Although many Germans, Scandinavian, British and French pensioners settle in coastal parts of Spain, the American idea where the elderly often gravitate to vast retirement colonies in temperate climates has not caught on in European.

Still, social workers say, there is a tendency to consign elderly people to a kind of spiritual "ghetto." There is a widespread feeling that the state can take care of everything. Correspondingly, the individual sense of responsibility for the old seems to be on the wane.

This is something that Mrs. Thatcher's government wishes to reverse. In "Growing Older," a White Paper published this year, the government said the primary sources of support and care for the elderly should be informal and voluntary, with the role of public authorities being to sustain and develop such private support.

Pensions for the 17.5 percent of the population of retirement age cost the state more than £11 billion ($522 billion) a year, or more than 17 percent of public expenditure.

The White Paper said public authorities will not be able to provide for all the needs of the elderly in future. "The responsibility is one for the whole community," it said.

The meager weekly old age pension of £27.15 (approximately $54) for a single person and £43.45 ($87) for a married couple is paid out of a national insurance fund to which both employers and employees contribute. Pensioners with no other means can get supplementary welfare benefits and tax concessions.

About 11 million Britons—about half the work force—are in private pension schemes. Those working for the civil service can look forward to fully inflation-proofed pensions on top of ironclad job security—a source of irritation for the majority of people who have no such benefit and who face a steady decline in their standard of living as they get older.

The £60 billion ($120 billion) pension industry is the nation's biggest, controlling four out of 10 quoted companies. Pension funds invest in everything from old master paintings to real estate in America. A fund for coal miners even toyed with the idea of investing in a racehorse.

What the funds tend not to do, however, is to risk investment in the kind of high technology industries that are seen as vital to the country's future economic health.

The private system works well for people who stay in one job throughout their careers. But people who change jobs fare badly. Their pension entitlement is frozen at the same level from the day they leave until they reach the legal retirement age of 65 for men, 60 for women. Over the course of 20 or 30 years, inflation can whittle that entitlement to a pittance. Yet the money remains in the fund, benefiting members who stay put.

This is a source of embarrassment for a government that wants to encourage people to upgrade their skills and move into high technology industries.

Social Security System Facing Trouble in Japan

Tokyo.—Increasing lifespans—the second highest in the world—and a decreasing labor force spell trouble for Japan's social security system.

The latest figures show the Japanese man lives to an average 73.32 years, second only to an Icelander, and the figure is expected to increase in the future. Women have an average life span of 78.83 years, but count for little in the work force.

Surveys show that more than half of Japan's businesses have a compulsory retirement age of 55, when an employee usually gets a "golden handshake" of two or three years salary as a company's lump sum pension. He has to stretch it until age 60 when he becomes eligible for social security.

That leaves an average of 13 years to collect social security, no problem now because there are more than 25 million people kicking in to the employees' pension insurance plan—the main one covering large private firms and their workers—and fewer than 2 million beneficiaries.

But Nagahisa Hiraishi of the Social Development Research Institute, who has studied the future of social security, finds it bleak.

"The aged population and the beneficiaries of the old age pension will continue to grow, whereas the ratio of working population to the nation's total population is expected to decline," Mr. Hiraishi said.

He warned that the deductions from the worker's paycheck to finance social security will have to keep growing, and—to avoid pushing an impossible burden onto today's young—"action and effective measures are needed and must be taken now."

The Government this year raised salary deductions for pensions to 10.6 percent, split evenly by employer and employee, up to a maximum of 4.7 million yen ($20,608) earnings annually.

That's an increase from 9.1 percent up to a maximum of 3.8 million yen ($16,695) per year, a hike designed to get more money into the reserve fund for the expected onslaught in coming years.

But the amount of deductions is expected to rise steadily to keep up with rising benefits tied to inflation and to the increasing numbers of retirees, expected in the most recent forecasts to double every five years.

Where the health and welfare ministry had figured that by the year 2010 premiums would have to amount to 20.7 percent of salaries, it now figures that reduced birthrates and longer life expectancies will boost the premiums to 30.6 percent of salary.

The government is trying to get firms to raise their retirement ages at least to 60, and if possible to 65. It hopes eventually to bar retirees from collecting social security before 65, but to do so it must get the retirement age hiked, through law or persuasion.

The Japan Federation of Employers' Association is adamantly opposed to any law increasing the retirement age, but a special committee admitted in March that companies will have to voluntarily keep people past 55. There won't be enough workers to fill jobs in the years ahead.

The committee contended that "physical impairment with the advancement of age may limit employment opportunities for older workers in a wide range of fields." It also warned workers to start saving money now for their retirement and not to expect the workers of the future to support them.

Surveys show that most pople who are forced to retire at 55 keep working, but three-quarters of them earn 70 percent or less than their preretirement salaries.

Savings and help from children have long been the main form of social security in Japan.

The Health and Welfare Ministry said in January that in households of men over 65 and-or women over 60 the average income in 1980 was 1.8 million yen ($7,826), with annuities and pensions accounting for only 37.3 percent of that total.

Problems With Elderly Cause Concern in China

Peking.—China is worried its centuries-old tradition of care for the elderly is showing signs of strain.

One of the most popular Chinese movies this year, "Happiness Knocks at the Door," is part of an official effort to remind the Chinese that care for the elderly is a primary duty.

The film is about an aging couple who live with two sons and their families in rural China.

One daughter-in-law agitates to throw the old people out because they are a nuisance and a financial drain. The other daughter-in-law, who eventually triumphs, wants the old folks to stay.

The reason the film is so popular is that it reflects a debate taking place in millions of Chinese households: what to do with the old folks?

China does not have the kind of staggering retirement problem that Western countries, have, however.

Less than 5 percent of its population of 1 billion people is over the age of 65, compared with 10 to 15 percent in Western countries.

China respects people over the age of 60 or 65, placing the word "Lao," or old, before their names. It is a term of affection rather than derision.

The concept of retirement does not exist for 80 percent of the population living in the countryside. In such rural settings, people never completely retire unless their health breaks down. If they are unable to do field work, they cook or take care of their grandchildren. They are rarely idle.

But there are occasional shocking abuses. Cui Xingang, 80, and his 76-year-old wife lived in rural Shandong province and were dependent on their five sons and two daughters.

The children preoccupied with improving the quality of their own lives, refused to support the old couple, who committed suicide together in March 1980. Three of the children, including a daugher who refused to provide food, were given prison terms.

The central problems, according to one Chinese official, is that China is attempting to transform itself into a modern industrial power, which is introducing new social pressures into Chinese life.

The Chinese people are now being urged to aspire to better lives and to look forward to material progress. Parents may become viewed as dead wood.

"The problem is to maintain traditional Chinese values at a time when our society is undergoing such fundamental change," the official said.

The pressure on old people are perhaps greater in China's cities, which feel the effects of modernization more directly.

Unlike their rural counterparts, retirement ages are stipulated for urban workers: 50 and 55 for women and men in industry and 55 and 60 for office workers.

Because of the increasingly mad scramble to get ahead, young people often persuade their parents to retire before those ages so that the job can be handed down to them. This forces thousands of Chinese into early retirement.

In most cases, the children who take their parents' jobs continue supporting them and live in the same quarters. The grandparents take care of the children while the breadwinners are at work and pursue their interests in chess, cards, tai chi or other hobbies.

But the cramped living conditions of Shanghai, for example, have resulted in some older people being expelled from their homes. For the first time in decades, old people can be found begging in Shanghai's streets.

China's constitution requires that old people receive material assistance. The state already is stepping into the breach.

The Ministry of Civil Affairs said in June, for example, that it has built 1,044 rural-age homes in the last two years, an obvious sign that some families refusing to care for their aged at home. The Ministry said Chinese communes and production brigades now have established a total of 8,262 such homes for more than 100,000 elderly persons.

○